



Directors' Report

The directors present their annual report, the audited financial statements of the Company for the period from 23rd January, 2001 (date of incorporation) to 31st March, 2002 and the audited proforma financial statements of the Group for the year ended 31st March, 2002.

CORPORATE REORGANISATION

The Company was incorporated and registered in the Cayman Islands on 23rd January, 2001 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation scheme (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the shares of the Company on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 16th May, 2002.

Details of the Reorganisation are set out in the prospectus dated 24th May, 2002 issued by the Company. The proforma financial statements of the Group, which have been prepared on the basis as if the Company had always been the holding company of the Group, or since the respective dates of incorporation of the companies now comprising the Group (whichever is the shorter period) to 31st March, 2002, are set out on pages 20 to 42 of the annual report.

The shares of the Company have been listed on the Stock Exchange since 6th June, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. It did not trade during the period between its date of incorporation on 23rd January, 2001 and the date of the Reorganisation. Particulars of the companies which became the Company's subsidiaries on 16th May, 2002 are set out in note 32 to the proforma financial statements.

PROFORMA RESULTS AND APPROPRIATIONS

The proforma results of the Group for the year ended 31st March, 2002 are set out in the proforma combined income statement on page 20.

No dividend was paid or declared by the Company during the period from 23rd January, 2001 (date of incorporation) to 31st March, 2002. However, during the year, certain subsidiaries of the Group declared and paid dividends amounting to HK\$20,600,000 to the then shareholders prior to the Reorganisation.

Subsequent to 31st March, 2002, a subsidiary of the Company declared a dividend of HK\$10,000,000 to be paid to the Company and the directors of the Company proposed a final dividend of HK3 cents per share, to be paid to the shareholders of the Company whose names appear in the register of members on 5th September, 2002, amounting to HK\$9,000,000. The proposed final dividend of the Company is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in notes 13 to the proforma financial statements.

SHARE CAPITAL

Details of movements in the authorised and issued share capital of the Company during the period are set out in note 6 to the financial statements.

DISTRIBUTABLE RESERVES

The Company was incorporated on 23rd January, 2001. At 31st March, 2002, the Company had accumulated loss of approximately HK\$305,000. Therefore there was no reserve available for distribution to the shareholders as at 31st March, 2002.



Directors' Report (continued)

DIRECTORS

The directors of the Company during the period and up to the date of this report were as follows:

Executive directors:

Mr. Hung Hon Man (<i>Chairman</i>)	(appointed on 30th January, 2001)
Mr. Cham Wai Ho, Anthony (<i>Deputy chairman</i>)	(appointed on 30th January, 2001)
Mr. Shum Kin Wai, Frankie (<i>Managing director</i>)	(appointed on 30th January, 2001)
Mr. Wong Sheung Kwong	(appointed on 30th January, 2001)
Mr. Cheng Wai Ho	(appointed on 30th January, 2001)
Mr. Hung Sui Kwan	(appointed on 30th January, 2001)

Independent non-executive directors:

Mr. Liu Chun Ning, Wilfred	(appointed on 16th May, 2002)
Mr. Lin Zhi Hang	(appointed on 16th May, 2002)

In accordance with the provisions of the Company's Articles of Association, Messrs. Cham Wai Ho, Anthony and Shum Kin Wai, Frankie shall retire and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICES CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial fixed term of three years commencing from 1st April, 2002 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The term of office of each non-executive director is the period up to his retirement by rotation (but is eligible for re-election) in accordance with the Company's Articles of Association.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

1. Shares in the Company

At the date of this report, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held			Percentage of shareholding
	Personal interest	Corporate interest	Total	
Mr. Hung Hon Man	–	189,270,000 (<i>Note i</i>)	189,270,000	63.09%
Mr. Cham Wai Ho, Anthony	–	25,087,500 (<i>Note ii</i>)	25,087,500	8.36%
Mr. Shum Kin Wai, Frankie	10,642,500	–	10,642,500	3.55%

Notes:

- These shares are held by Honeylink Agents Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially owned by Mr. Hung Hon Man.
- These shares are held by Chambray Resources Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially owned by Mr. Cham Wai Ho, Anthony.



Directors' Report (continued)

DIRECTORS' INTERESTS IN SHARES (continued)

2. Shares in a subsidiary

At the date of this report, the following directors held interests in the non-voting deferred shares of Get Nice Investment Limited, a wholly owned subsidiary of the Company:

Name of director	Number of non-voting deferred shares
Mr. Hung Hon Man	36,000,000 shares of HK\$1 each
Mr. Shum Kin Wai, Frankie	4,000,000 shares of HK\$1 each

Save as disclosed above, at the date of this report, none of the directors, nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

ARRANGEMENTS TO PURCHASE SHARES AND OPTIONS

The share option scheme (the "Option Scheme") of the Company was conditionally adopted by the Company pursuant to a resolution passed on 16th May, 2002. The Option Scheme became effective on 6th June, 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The major terms of the Option Scheme are summarised as follows:

1. The purpose of the Option Scheme is to provide incentives or rewards to selected participants for their contribution to the Group.
2. The participants of the Option Scheme include: (i) any employee or director (including executive director, non-executive director and independent non-executive director) of any member of the Group or any entity ("Invested Entity") in which any member of the Group holds any entity interest; (ii) supplier or potential supplier of goods and services of the Group or any Investment Entity; (iii) customer or potential customer of the Group or any Invested Entity; (iv) person or entity that provides research, development or other technological support to the Group or any Invested Entity; (v) shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (vi) any other group or classes of participants from time to time determined by the directors of the Company as having contributed or may contribute by way of joint venture, business alliances or other business arrangements to the development and growth of the Group.
3. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the issued share capital of the Company from time to time.
4. The total number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares of the Company in issue.
5. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any twelve month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval.
6. There is no minimum period required for the holding of an option before it can be exercised.
7. An option may be exercised at any time during a period to be determined by the directors, which period may commence on a day after the date upon which the offer for the grant of options is made but shall not later than ten years from the date of grant of the option.
8. The acceptance of an option, if accepted, must be made within 21 days from the date of the offer of grant of the option.
9. The exercise price of an option must be the highest of:
 - (i) the closing price of the share of the Company as stated in the Stock Exchange's daily quotations on the date of the offer of the grant;



Directors' Report (continued)

ARRANGEMENTS TO PURCHASE SHARES AND OPTIONS (continued)

- (ii) the average closing price of the share of the Company as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of the grant; and
 - (iii) the nominal value of the share of the Company.
10. The Option Scheme will expire on 5th June, 2012.
 11. At the date of this report, the total number of shares available for issue under the Option Scheme was 30,000,000, representing 10% of the shares of the Company in issue at that date.
 12. There has been no option granted since the adoption of the Option Scheme.
 13. The directors of the Company consider it inappropriate to disclose the value of options which may be granted under the Option Scheme as if they had been granted as at the date of this report. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The directors of the Company believe that any calculation of the value of options as at the date of this report based on a number of speculative assumptions would not be meaningful.

Other than as disclosed above, at no time during the period was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights during the period.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

1. During the year ended 31st March, 2002, the Group paid rental expense of HK\$1,800,000 to Fullink Developments Limited, a company in which Messrs. Hung Hon Man and Cham Wai Ho, Anthony have beneficial interests.
2. During the year ended 31st March, 2002, the Group received commission of approximately HK\$192,000 and interest of approximately HK\$288,000 from Messrs. Shum Kin Wai, Frankie, Cham Wai Ho, Anthony and Cheng Wai Ho and their associates.
3. At 31st March, 2002, the Group had an amount due to Mr. Hung Hon Man of approximately HK\$1,451,000.

The independent non-executive directors confirm that these transactions have been entered into by the Group in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions.

Other than as disclosed above, no contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of Mr. Hung Hon Man in the shares of the Company referred to in the section headed "Directors' Interests in Shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest in 10% or more in the issued share capital of the Company at the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.



Directors' Report (continued)

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the period from 6th June, 2002 (the date on which the shares of the Company listed on the Stock Exchange) to the date of this report, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed shares of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31st March, 2002, the turnover attributed to the five largest customers accounted for less than 30% of the Group's total turnover.

The Group had no major suppliers due to the nature of principal activities of the Group.

RETIREMENT BENEFITS SCHEME

The Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The Group's employees are required to join the scheme. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

AUDIT COMMITTEE

The Company set up an audit committee on 16th May, 2002 with written terms of reference in compliance with the Code of Best Practice set out in appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee will report its findings and make recommendations to the board of directors on a half yearly basis. The audit committee has two members comprising Messrs. Liu Chun Ning, Wilfred and Lin Zhi Hang, both being independent non-executive directors.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules since its shares have been listed on the Stock Exchange on 6th June, 2002 except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code of Best Practice but are subject to retirement of rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 7 to the financial statements and note 31 to the proforma financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company during the period. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Hung Hon Man

Chairman

Hong Kong, 25th July, 2002