

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest suppliers accounted for 36% of the Group's total purchases. The largest supplier accounted for 16% of the Group's total purchases.

During the year, the Group's five largest customers accounted for 49% of the Group's total sales. The largest customer accounted for 20% of the Group's total sales.

None of the directors, their associates or any shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's issued share capital, has a beneficial interest in any of the Group's five largest suppliers or customers.

RESULTS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 19 and the accompanying notes to the financial statements. The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2002. The Company did not have any distributable reserves as at 31st March, 2002.

FINANCIAL SUMMARY

A financial summary of the Group is set out on pages 56 and 57.

SHARE CAPITAL AND WARRANTS

Details of the Company's share capital and warrants are set out in notes 22 and 24 to the financial statements respectively.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$185,000.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

KAN Shiu Cheong, Frederick, <i>Chairman</i>	(appointed as non-executive director on 11th January, 2001 and redesignated as executive director on 2nd April, 2001)
CHU Hung Lin, Victor	
CHAN Hoi Lam	
YAU Kang Nam	(appointed on 4th June, 2001)
JIANG Hai Qing	(appointed on 10th September, 2001)
CHU To, Jonathan	(appointed as the alternate director to CHU Hung Lin, Victor for the board meeting held on 27th February, 2002 only)
FUNG Kin Keung, Derek	(resigned on 23rd July, 2001)
LIM Bin Hua	(resigned on 1st July, 2001)

Independent non-executive directors:

LIU Ngai Wing	
NG Sui Keung	(appointed on 6th April, 2001)

In accordance with Bye-law 99(A) of the Company's Bye-laws, Messrs. Chu Hung Lin, Victor and Chan Hoi Lam will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Jiang Hai Qing will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

The term of office for each of the independent non-executive directors is the period up to his retirement by rotation pursuant to the Company's Bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

- (a) The Company issued guarantees in favour of banks for credit facilities to the extent of HK\$4,000,000 granted to a 60% owned subsidiary of the Company. Such guarantees are financial assistance provided by the Company under Rule 14.25(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and constitute connected transactions.
- (b) On 16th August, 2001, the Group acquired a 5% equity interest in Corporate Max International Company Limited ("CMICL"), a then 95% owned subsidiary of the Company, for a consideration of approximately HK\$1,551,000 from Mr. Fung Cho Kie, Edmon, a director of a subsidiary of the Company. Upon the completion of this acquisition on the same date, CMICL became a wholly-owned subsidiary of the Company. Details of this transaction were described in the Company's press announcement dated 20th August, 2001.

Save as disclosed above, no contracts of significance to which the Company, its holding company or any of its subsidiaries 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 year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

None of the directors or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as at 31st March, 2002.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following shareholder with interest representing 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares held
First Century Holdings Limited	2,037,435,889

Save as disclosed above, the Company has not been notified of any other interest representing 10% or more in the issued share capital of the Company as at 31st March, 2002.

SHARE OPTION AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company adopted a share option scheme (the "Scheme") on 19th February, 1992 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations. Pursuant to the Scheme, the directors may grant share options to executive directors and employees of the Company and of its subsidiaries to subscribe for shares in the Company in accordance with the terms of the Scheme. Options granted must be taken up within the period as specified in the offer of options, and upon payment of HK\$1 as the consideration for the options granted and are exercisable on the expiry of six months after the date of acceptance of the options granted or on such other date as the board of directors may at its discretion determine and will expire on the last day of the three years period.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company in aggregate shall not exceed 10% of the issued share capital of the Company from time to time. The maximum entitlement of each participant under the Scheme shall not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. The exercise price shall be 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date the options are granted or the nominal value of the Company's share, whichever is the higher.

The implementation of relevant terms of the Scheme has been adjusted to comply with the new requirements of the Listing Rules, which were adopted in the current year.

The Scheme expired on 18th February, 2002 and no further options can be granted under the Scheme thereafter.

The details in the number of options granted during the year and outstanding at end of the year which have been granted to the directors of the Company and eligible employees of the Group under the Scheme are as follows:

Name of director	Date of grant	Exercise period	Exercise price HK\$	Number of share options		
				Outstanding at 1.4.2001	Granted during the year	Outstanding at 31.3.2002
Kan Shiu Cheong, Frederick	31.8.2001	31.8.2001 - 30.8.2004	0.01344	—	90,458,000	90,458,000
Chu Hung Lin, Victor	31.8.2001	31.8.2001 - 30.8.2004	0.01344	—	36,182,000	36,182,000
Chan Hoi Lam	31.8.2001	31.8.2001 - 30.8.2004	0.01344	—	36,182,000	36,182,000
Yau Kang Nam	31.8.2001	31.8.2001 - 30.8.2004	0.01344	—	20,000,000	20,000,000
Jiang Hai Qing	18.2.2002	18.2.2002 - 17.2.2005	0.02400	—	10,000,000	10,000,000
				—	192,822,000	192,822,000
Other employees of the Group	31.8.2001	31.8.2001 - 30.8.2004	0.01344	—	10,000,000	10,000,000
	31.8.2001	1.3.2002 - 28.2.2005	0.01344	—	26,000,000	26,000,000
	31.8.2001	1.6.2002 - 31.5.2005	0.01344	—	32,100,000	32,100,000
	31.8.2001	15.6.2002 - 14.6.2005	0.01344	—	500,000	500,000
	18.2.2002	1.6.2002 - 31.5.2005	0.02400	—	6,000,000	6,000,000
				—	267,422,000	267,422,000

Note: The closing price of the Company's shares immediately before 31st August, 2001 and 18th February, 2002, the dates of grant of options, were HK\$0.018 and HK\$0.024 respectively.

During the year, a total of 267,422,000 options were granted and received a total consideration of HK\$28 in respect of the options granted. The directors of the Company considered that it is not appropriate to value share options granted under the Scheme during the year as a number of factors critical for the valuation of the share options granted cannot be determined accurately. In the absence of a readily available market value of the options under the Scheme, any valuation of the share options granted based on various speculative assumptions would be meaningless and could be misleading to the shareholders. No share options were exercised nor lapsed during the year.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

A resolution will be proposed at the forthcoming annual general meeting of the Company to adopt a new share option scheme.

Saved as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executives or associates of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of the directors or their spouses and 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 year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year except that the audit committee comprised only one member during the period from 1st to 5th April, 2001 as the Company has only one independent non-executive director during that period.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

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

On behalf of the Board

Kan Shiu Cheong, Frederick

Chairman

Hong Kong

19th July, 2002