

Report of the Directors

The directors submit herewith their report together with the audited financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2002.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 13 to the financial statements.

Segment information

An analysis of the Group’s performance by principal activities and geographical locations of operations for the year ended 31 March 2002 is set out in Note 10 to the financial statements.

Results and appropriation

The results of the Group for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 21 to 60.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2002.

Financial summary

Results

	Year ended 31 March				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	28,620	13,818	5,635	66,635	112,595
Loss from operations	(68,061)	(78,217)	(46,575)	(74,736)	(35,983)
Finance costs	(208)	(417)	(2,708)	(1,053)	(936)
Impairment loss on an associate	—	(3,891)	—	—	—
Loss from ordinary activities before taxation	(68,269)	(82,525)	(49,283)	(75,789)	(36,919)
Taxation	—	—	—	—	—
Minority interests	448	19	—	—	—
Net loss attributable to shareholders	(67,821)	(82,506)	(49,283)	(75,789)	(36,919)

Report of the Directors



Financial summary (Continued)

Assets and liabilities

	As at 31 March				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Intangible assets	50,454	43,332	–	–	–
Tangible fixed assets	54,018	68,909	53,060	49,775	84,083
Current assets	33,228	67,932	214,661	35,136	75,191
Total assets	137,700	180,173	267,721	84,911	159,274
Current liabilities	42,253	33,941	63,539	48,401	55,358
Long term portion of obligations under hire-purchase contracts and finance leases	229	–	–	8,783	400
Long term, unsecured loans	–	–	1,980	–	–
Convertible bonds	–	–	60,000	–	–
Minority interests	18	11	–	–	–
Total liabilities and minority interests	42,500	33,952	125,519	57,184	55,758
Net assets	95,200	146,221	142,202	27,727	103,516
Capital and reserves					
Share capital	74,639	62,639	45,344	87,022	87,022
Reserves	20,561	83,582	96,858	(59,295)	16,494
Shareholders' funds	95,200	146,221	142,202	27,727	103,516

Report of the Directors

Intangible assets

Details of movements in intangible assets of the Group during the year are set out in Note 11 to the financial statements.

Tangible fixed assets

Details of movements in tangible fixed assets of the Group during the year are set out in Note 12 to the financial statements.

Borrowings and interests capitalised

Particulars of the Group's borrowings as at 31 March 2002 are set out in Note 20 to the financial statements. No interest was capitalised by the Group during the year.

Share capital

Details of movements in the share capital, share options and warrants of the Company during the year are set out in Note 22 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws and the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, sale or redemption of the Company's listed securities

During the year ended 31 March 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 23 to the financial statements.

As at 31 March 2002, the Company had no reserves available for distribution.

Major suppliers and customers

During the year under review, goods and services provided to the five largest customers accounted for approximately 16% of the Group's turnover. Purchases from the five largest suppliers accounted for approximately 58% of the Group's total purchases for the year. The largest customer and supplier accounted for approximately 11% and 21% of the Group's turnover and purchases respectively for the year.

Report of the Directors

Major suppliers and customers *(Continued)*

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's issued share capital had any beneficial interest in the five largest customers and suppliers of the Group.

Directors

The directors during the year and subsequently were:

Executive directors

Mr. Tang Yiu Wing

Miss Au Mei Ki, Maggie (Appointed on 1 September 2001)

Ms. Lai Chiu Fan, Fanny (Appointed on 1 September 2001)

Mr. Ng Kai Shing (Resigned on 22 May 2002)

Mr. Choy Hon Keung, Norman (Resigned on 22 May 2002)

Mr. Chan Kam Fuk (Resigned on 31 August 2001)

Independent non-executive directors

Mr. Ng King Wah

Mr. So Hon Cheung, Stephen

In accordance with Bye-law 99 of the Company's Bye-laws, Mr. Ng King Wah will retire from office at the forthcoming annual general meeting. In accordance with Bye-law 102(B) of the Company's Bye-laws, Ms. Lai Chiu Fan, Fanny and Miss Au Mei Ki, Maggie will retire from office at the forthcoming annual general meeting.

Mr. Ng King Wah, Ms. Lai Chiu Fan, Fanny and Miss Au Mei Ki, Maggie, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' service contracts

The independent non-executive directors were appointed by the board of directors for a term of one year. Their remuneration is also determined by the board of directors on the anniversary of the date of their appointment.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory obligations.

Report of the Directors

Directors' interests in shares

As at 31 March 2002, the interests of the directors and their respective associates in the equity or debt securities of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

Director	Number of ordinary shares in the Company	
	Personal interests	Corporate interests
Mr. Tang Yiu Wing (<i>Note i</i>)	–	313,220,000

Note:

- (i) Mr. Tang Yiu Wing held 313,220,000 shares in the Company through Allied Great Limited, a limited liability company incorporated in the British Virgin Islands which is wholly-owned by him.

The Company has a share option scheme (the "Scheme") approved in an extraordinary general meeting on 21 September 1993 under which the board of directors may, at its discretion, invite any employees or executive directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. Details of share options granted to an executive director and outstanding at 31 March 2002 are as follows:

Director	Number of share options		
	1st lot	2nd lot	Outstanding as at 31 March 2002
	(<i>Note 1</i>)	(<i>Note 2</i>)	
Mr. Ng Kai Shing	25,046,000	114,834,000	139,880,000 (<i>Note 3</i>)

Notes:

1. These share options were granted on 24 November 1999 and are exercisable at a price of HK\$0.056 per share during the period from 1 June 2000 to 24 November 2002.
2. These share options were granted on 9 June 2000 and are exercisable at a price of HK\$0.029 per share during the period from 1 January 2001 to 9 June 2003.
3. The share options of this director lapsed following his resignation as a director of the Company on 22 May 2002.

Report of the Directors



Directors' interests in shares *(Continued)*

Apart from the foregoing, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Company's directors or their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any 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.

Substantial shareholders

At 31 March 2002, the following persons were recorded as having an interest of 10% or more of the issued share capital of the Company in the register of interests required to be kept by the Company under section 16(1) of the SDI Ordinance:

Shareholder	Number of ordinary shares held
Wise China Limited <i>(Note a)</i>	1,200,000,000

Note:

(a) Wise China Limited, a company incorporated in the British Virgin Islands, is wholly-owned by Mr. Lee Chi Man, Raymond.

Save as disclosed above, no person had registered an interest of 10% or more of the issued share capital of the Company that was required to be recorded under section 16(1) of the SDI Ordinance as at 31 March 2002.

Substantial shareholder's services contracts

No contracts of significance for the provision of services to the Group in which any substantial shareholder 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.

Substantial shareholder's interests in contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any substantial shareholder 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.

Report of the Directors

Corporate governance

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company's audit committee comprises Mr. Ng King Wah and Mr. So Hon Cheung, Stephen, both of whom are independent non-executive directors of the Company. The audit committee meets with the Group's senior management and external auditors to review the interim and annual reports of the Group.

Auditors

HLB Hodgson Impey Cheng retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint HLB Hodgson Impey Cheng as auditors of the Company.

On behalf of the Board

Lai Chiu Fan, Fanny

Executive Director

Hong Kong, 23 July 2002