

The directors have pleasure in presenting 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 principal activities of the Company's subsidiaries are set out in note 18 to the financial statements.

## **SUBSIDIARIES**

On 16th May, 2001, the Company acquired 54% of the issued share capital of KBQuest for an aggregate consideration of HK\$42 million which was satisfied by the allotment and issue of 42 million shares at a price of HK\$1.00 per share.

The details of the Acquisition constitute a discloseable transaction for the Company under the Listing Rules, are set out in the Company's circular dated 24th May, 2001.

Details of the Company's principal subsidiaries at 31st March, 2002 are set out in note 18 to the financial statements.

## **RESULTS**

The results of the Group for the year ended 31st March, 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 65.

## **DIVIDEND**

The Directors do not recommend the payment of a final dividend.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

The Company does not have any distributable reserves.

## **FINANCIAL SUMMARY**

A financial summary of the Group for the past five financial years is set out on page 66.

## **FIXED ASSETS**

During the year, the Group acquired fixed assets of HK\$151,000 through the acquisition of a subsidiary. Also the Group spent HK\$4,957,000 on leasehold improvements, furniture, fixtures and fittings, machinery and equipment.

The Group's investment properties were revalued on 31st March, 2002 at approximately HK\$36,608,000 and the resulting revaluation deficit of HK\$514,000 has been charged to the investment property revaluation reserve as set out in note 28 to the financial statements.

Details of these and other changes in fixed assets are set out in note 17 to the financial statements.

## **PROPERTIES**

Particulars regarding properties held by the Group at 31st March, 2002 are set out on pages 67 and 68.

## **SHARE CAPITAL AND SHARE OPTION**

During the year, the Company issued 42 million shares at a price of HK\$1.00 per share for the acquisition of 54% of the issued share capital in KBQuest. The equity financing of the Acquisition was in line with the Board's policy of not directly utilizing the Group's existing cash resources to fund its expansion into the I.T. section.

Details of movements in the share capital and share option of the Company during the year are set out in notes 26 and 27 to the financial statements respectively.

## **CONVERTIBLE NOTES**

Details of convertible notes are set out in note 24 to the financial statements.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive directors:

Leung Chung Ping, Owen (*Chairman*)  
 Sum Pui Ying, Adrian (*Managing Director*)  
 Wong Wang Chan (appointed on 11th June, 2001)

### Non-executive director:

Leung Miu King, Marina

### Independent non-executive directors:

Sit Kien Ping, Peter  
 Lai Si Ming, Simon

In accordance with Clauses 85 and 86 of the Company's Bye-laws, Mr. Sit Kien Ping, Peter retires, and being eligible, offers himself for re-election.

The independent non-executive directors are subject to retirement by rotation in accordance with the above Bye-laws.

Neither of the directors proposed for re-election 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 SHARES

At 31st March, 2002, the interests of the directors and their associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Personal interests	Number of shares held		
		Family Interests	Corporate interests	Other Interests
Leung Chung Ping, Owen	20,000,000	–	–	–
Sum Pui Ying, Adrian	–	–	–	–
Wong Wang Chan	–	–	–	–
Leung Miu King, Marina	–	–	–	–
Sit Kien Ping, Peter	–	–	–	–
Lai Si Ming, Simon	–	–	–	–

## DIRECTORS' INTERESTS IN SHARES (Continued)

Saved as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At 31st March, 2002, the directors had the following personal interests in share options to subscribe for shares in the Company granted under the share option scheme of the Company, details of which are set out in note 27 to the financial statements:

Name of director	Date granted	Exercise price	Number of share options
Leung Chung Ping, Owen	24th September, 1997	HK\$1.00	3,000,000
Sum Pui Ying, Adrian	24th September, 1997	HK\$1.00	3,000,000

No share option was exercised, lapsed or cancelled during the year under review. Options to executive directors may be exercised at any time during a period commencing the date the option is accepted and ten years from 15th September, 1997.

Other than as disclosed above, at no time during the year the Company or any of its subsidiaries was 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. None of the directors, their spouses or their 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.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, during the year and up to the date of this report, no director is considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

Dr. Wong Wang Chan is the Chief Executive Officer of KBQuest Group, Inc. which is engaged in the sales and design of contract software programs. KBQuest Group, Inc. was incorporated in California, U.S.A. and then acquired by the Company in May 2001.

## CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the convertible notes and the share option scheme as explained in notes 24 and 27 to the financial statements respectively, the Company had no outstanding convertible securities, options, warrants or similar rights at 31st March, 2002 and there was no issue or exercise of any convertible securities, options, warrants or similar rights during the year.

## SUBSTANTIAL SHAREHOLDERS

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

Name	Number of Shares
Leung Shu Wing	55,000,000 (Note 1)
Kee Shing (Holdings) Limited ("Kee Shing")	55,000,000 (Note 1)
Pacific Apex International Limited ("Pacific Apex")	55,000,000
Chan Chung Wai	42,000,000 (Note 2)
Webwork Holdings Limited ("Webwork")	42,000,000
Leong Lou Teck	37,550,540 (Note 3)
Yap Han Hoe	37,508,000 (Note 3)
Galmare Investment Limited ("Galmare")	37,500,000
Eav Yin	51,239,980 (Note 4)
Eav An Unit Trust	32,876,000

### Notes:

1. These shares refer to the same holding of 55,000,000 shares held by Pacific Apex. Pacific Apex is a wholly owned subsidiary of Kee Shing. Mr. Leung Shu Wing is the chairman and controlling shareholder of Kee Shing.
2. These shares refer to the same holding of 42,000,000 shares held by Webwork. Mr. Chan Chung Wai is the beneficial owner of Webwork. At the date of this report, these shares are included under HKSCC Nominees Limited.
3. These shares include 37,500,000 shares held through Galmare. Galmare is equally owned by Mr. Leong Lou Teck and Mr. Yap Han Hoe.
4. These shares include 32,876,000 shares held by the Eav An Unit Trust, a family trust the beneficiaries of which include Mr. Eav Yin, his wife and children.

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

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

## **PRE-EMPTIVE RIGHTS**

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

## **CORPORATE GOVERNANCE**

During the year under review, in the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive director and independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

## **POST BALANCE SHEET EVENTS**

Details of post balance sheet events are set out in note 40 to the financial statements.

## **MAJOR SUPPLIERS AND CUSTOMERS**

The Group's largest supplier contributed 23% to the total purchases for the year and the aggregate amount of purchases attributable to the Group's top five suppliers represented 70% of the Group's total purchases.

Since the customer base of the Group is very wide, the aggregate sales attributable to the Group's five largest customers are less than 30% of the total sales during the year.

None of the directors, their associates or any shareholders (to the best of the knowledge of the directors owning more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

## **AUDITORS**

A resolution will be submitted at the Annual General Meeting of the Company to re-appoint Messrs. Charles Chan, Ip & Fung CPA Ltd. as the auditors of the Company.

## **EXPRESSION OF GRATITUDE**

The Board would like to take this opportunity to express its profound gratitude to all staff members, shareholders, bankers, customers, suppliers and professional bodies for the sincere support they have rendered the Group to date.

On behalf of the Board  
**SUM Pui Ying, Adrian**  
*Secretary*

Hong Kong SAR, 19th July, 2002