

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2002.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of vessel operating common carrier, provision of freight forwarding services, securities trading, operation of container depots and provision of logistics management services.

Its associates were principally engaged in the business of development and provision of technical services to support long distance professional educational services through satellite in the Mainland China.

Results

The results of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 35.

Five Year Financial Summary

A financial summary of the Group for the past five financial years is set out on page 95.

Share Capital

Details of changes in the issued share capital of the Company during the year are set out in note 26 to the financial statements, and the changes during the year are summarised as follows:

- changes in the issued share capital as a result of:
 - issue of 10,397,000 shares upon exercise of share options under the share option scheme of the Company;
 - issue of 140,000,000 shares as the partial consideration for the acquisition of a 45% equity interest in an associate; and
 - issue of 208,800,000 shares by placements.

Details of the movements of outstanding warrants and share options of the Company during the year are set out in notes 27 and 28 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 29 to the financial statements.

Property, Plant and Equipment

The Group's property interests under property, plant and equipment were revalued during the year. This resulted in a surplus arising on revaluation of other properties of HK\$650,000 and was credited to the other property revaluation reserve. During the year, the Group also acquired property, plant and equipment of HK\$3,317,000 for normal business activities.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

Directors and Service Contracts

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

Executive directors:

Hon Ming Kong, Chairman

Liang Jun

Tsai Bobby Sung-En (appointed on 7 August 2001)

Yu Liang Liang (appointed on 4 September 2001)

Ngai Wai Fung (resigned on 7 August 2001)

Tsoi Wai Kwong (resigned on 22 May 2002)

Independent non-executive directors:

Chan Tat Chee

Lee Yu Leung

Chang Chih Ping, Tony (appointed on 17 July 2002)

In accordance with Bye-law 87(1) and 87(2) of the Company's Bye-laws, Chan Tat Chee retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting. In accordance with Bye-law 86(2) of the Company's Bye-laws, Tsai Bobby Sung-En, Yu Liang Liang and Chang Chih Ping, Tony shall hold office until the forthcoming annual general meeting, and being eligible, offer themselves for re-election. All other remaining directors continue in office.

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

The independent non-executive directors are appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

Directors' Interests in Contracts and Connected Transactions

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

As at 31 March 2002, the interests of directors in the shares 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 shares of the Company held	
	Personal interests	Corporate interests
Hon Ming Kong	—	147,026,242 <i>(Note)</i>
Liang Jun	9,650,000	—
Tsoi Wai Kwong	400,000	—

Note: The shares are held by Sincere Bonus Investment Ltd., a company wholly-owned by Hon Ming Kong.

Save as disclosed above, as at 31 March 2002, none of the directors, the chief executive or their associates had any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Share Options

Pursuant to the Company's share option scheme which became effective on 16 September 1994 for a period of ten years, the directors may grant options to any eligible employees of the Group, including directors of the Company, to subscribe for shares in the Company. Options granted are exercisable subject to specified terms and within a specified period which shall not be more than ten years from the date of granting of the options. The subscription price of the option shares was the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the closing prices of the shares on the five trading days immediately preceding the grant of the options. In compliance with Chapter 17 "Share Option Schemes" (as amended which came into effect on 1 September 2001) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the subscription price of the option shares for options granted by the Company during the year is changed to be the higher of the average of the closing prices of the shares on the five trading days immediately preceding the date of granting of the options or the closing price of the shares on the date of granting the options.

Certain directors were granted options to subscribe for shares in the Company. A summary of the movements of options outstanding during the year is as follows:

Directors	Date of grant	Exercise period	Exercise price per share HK\$	Number of option shares					Price of the Company's shares*	
				Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed upon expiry/ termination of employment of employees	Outstanding at end of the year	For options granted HK\$	For options exercised HK\$
Hon Ming Kong Tsai Bobby Sung-En	2.2.2001	2.2.2001 to 1.2.2011	0.33	10,000,000	—	—	—	10,000,000	—	—
	28.9.2001	19.10.2001 to 18.10.2011	0.435	—	8,000,000	—	—	8,000,000	0.435	—
				10,000,000	8,000,000	—	—	18,000,000		
Employees	1.4.1999	1.4.1999 to 31.3.2002	0.1	977,000	—	897,000	80,000	—	—	0.53
	8.9.1999	8.9.1999 to 7.9.2002	0.85	10,000,000	—	—	1,500,000	8,500,000	—	—
	2.2.2001	2.2.2001 to 1.2.2011	0.33	9,500,000	—	9,500,000	—	—	—	0.58
	28.9.2001	19.10.2001 to 18.10.2011	0.435	—	8,000,000	—	—	8,000,000	0.435	—
	26.11.2001	17.12.2001 to 16.12.2011	0.64	—	4,000,000	—	—	4,000,000	0.53	—
				20,477,000	12,000,000	10,397,000	1,580,000	20,500,000		
Total				30,477,000	20,000,000	10,397,000	1,580,000	38,500,000		

* The price of the Company's shares disclosed for options granted is the closing price quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the trading day immediately prior to the date of the grant of the respective options. The price of the Company's shares disclosed as at the date of exercise of options is the weighted average of the closing prices quoted on the Stock Exchange over all exercise of options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the directors and employees, because of the absence of a readily available market value of the share options on the shares of the Company. Accordingly, the directors are of the view that it is uncertain to make assumptions for assessing the value of these share options.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

Other than as disclosed above, none of the directors, or 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 year.

Substantial Shareholders

As at 31 March 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company has not been notified of any interests representing 10% or more of the Company's issued share capital.

Convertible Securities, Options, Warrants or Similar Rights

Other than the warrants and share options as set out in notes 27 and 28 to the financial statements respectively, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2002. Other than the share options exercised as set out above, there has been no exercise of convertible securities, options, warrants or similar rights during the year.

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.

Code of Best Practice

The Company has complied throughout the year ended 31 March 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Auditors

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

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

Liang Jun

Executive Director

Hong Kong, 24 July 2002