

The directors present herewith their report and the accounts of the Company for the year ended 31 March 2002.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 29 August 2001, the name of the Company was changed from "401.com Limited" to "401 Holdings Limited". The new name became effective on 5 September 2001.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2002 are set out in the accounts on page 26.

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 40 to the accounts.

RESERVES

The movements of the reserves during the year are set out in note 27 to the accounts.

DISTRIBUTABLE RESERVES

As at 31 March 2002, the Company did not have any reserves available for distribution. Nevertheless, the Company's share premium account may be distributed in the form of fully paid bonus shares subject to the conditions as provided by the Companies Act 1981 of Bermuda (as amended).

FIXED ASSETS

The movements in the fixed assets during the year are set out in note 15 to the accounts.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss before taxation by principal activity and geographical market for the year ended 31 March 2002 is set out in note 5 to the accounts.



SHARE CAPITAL AND OPTIONS

Details of the movements in the issued share capital of the Company during the year are set out in note 26 to the accounts.

Details of the Company's options outstanding at the year end date, granted and lapsed or cancelled during the year are also set out in note 26 to the accounts. The existing share option scheme adopted by the Company on 13 August 1998 expired on 13 August 2001. The directors proposed the shareholders to approve a new share option scheme at a special general meeting to be held on 12 August 2002. The details of the new share option scheme and the notice convening the meeting was set out in a circular dispatched to all shareholders on 22 July 2002.

CONVERTIBLE DEBTS

Details of the convertible debts issued by the Group and the exercise of the conversion rights under the debts during the year are set out in note 25 to the accounts.

PRE-EMPTIVE RIGHTS

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

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

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

SUBSIDIARIES

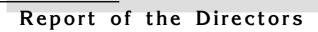
Details of the Company's principal subsidiaries as at 31 March 2002 are set out in note 40 to the accounts.



BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans, overdrafts and other borrowings as at 31 March 2002 were repayable over the following periods:-

	Bank loans		
	and Ot		
	overdrafts	borrowings	
	HK\$'000	HK\$'000	
On demand or not exceeding one year	2,898	8,889	
More than one year but not exceeding two years	284	_	
More than two year but not exceeding five years	948	_	
Over five years	1,993		
	6,123	8,889	



FIVE YEARS FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Group and reclassified as appropriate:-

	Year ended 31 March				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)			
Results					
Turnover	22,844	165,343	58,079	221,549	905,584
Operating loss after finance cost	(95,904)	(254,464)	(43,549)	(99,466)	(523,729)
Share of gain/(loss) of associates	53	(973)		(65)	(853)
Loss before taxation	(95,851)	(255,437)	(43,549)	(99,531)	(524,582)
Taxation charge	(77)	(2,541)	(7)	(509)	(2,118)
Loss after taxation	(95,928)	(257,978)	(43,556)	(100,040)	(526,700)
Minority interests	(5,436)	14,778	(6)	12,089	(843)
Loss attributable to					
the shareholders	(101,364)	(243,200)	(43,562)	(87,951)	(527,543)
Assets and liabilities					
Total assets	39,072	98,465	185,733	121,702	241,419
Total liabilities and					
minority interests	89,070	80,973	142,839	328,762	385,396
Net (liabilities)/assets	(49,998)	17,492	42,894	(207,060)	(143,977)

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2002, the five largest suppliers in aggregate accounted for approximately 85% of the purchases of the Group and the largest supplier accounted for approximately 28% of the purchases of the Group. The five largest customers in aggregate for the year ended 31 March 2002 accounted for approximately 48% of the turnover of the Group and the largest customer of the Group accounted for approximately 15% of the turnover of the Group.

MAJOR CUSTOMERS AND SUPPLIERS (continued)

As far as the directors of the Company are aware, none of the directors of the Company, their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), and shareholders of the Company owned more than 5% of the Company's share capital had an interest in any of the Group's five largest suppliers or customers of the Group for the year ended 31 March 2002.

DIRECTORS

The directors who held office during the year and up to the date of this report were:-

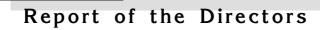
Executive directors:-

Leung Tze Hang, David (Managing Director)		
Po Kam Hi, John		
Law Chuen Lam, Edward		
Au-Yeung Yok Cho		
Koo Fook Sun, Louis	_	appointed on 4 June 2002
Lau Cheuk Hung, Terence	_	alternate to Law Chuen Lam, Edward, appointed on
		17 May 2002
Lee Ying Wah, Alfred Augustine	_	alternate to Law Chuen Lam, Edward, appointed on
		1 June 2001 and resigned on 17 May 2002
Chan Sing Fai	_	resigned on 1 December 2001
Fong Chun Fat	_	resigned on 1 December 2001
Chan Wing Fai	_	resigned on 1 December 2001
Non-executive directors:-		
Choi Koon Ming	_	appointed on 1 December 2001
Ha Kee Choy, Eugene		

Independent non-executive directors:-

Leung Ka Kui, Johnny Koo Tsang Hoi

In accordance with Bye-law 99(A) (supplemented by Bye-law 182(ii)) of the Company's Bye-laws, Mr. Law Chuen Lam, Edward and Mr. Au-Yeung Yok Cho will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election as executive directors of the Company.



DIRECTORS (continued)

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Koo Fook Sun, Louis will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election as an executive director of the Company.

In accordance with Bye-law 90 of the Company's Bye-laws, Mr. Lau Cheuk Hung, Terence will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election as an alternate director to Mr. Law Chuen Lam, Edward.

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Choi Koon Ming will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election as a non-executive director of the Company.

PARTICULARS OF DIRECTORS

Executive directors

Mr. Leung Tze Hang, David, aged 46, Managing Director of the Company, has over 21 years of experience in property development and investment. Mr. Leung holds a bachelor of science degree in civil engineering from the University of Leeds in United Kingdom.

Mr. Po Kam Hi, John, aged 46, joined the Group in 1996. Mr. Po holds a master degree in business administration from the University of East Asia. Mr. Po has over 25 years of experience in materials planning, procurement and logistics management. Mr. Po has been the founding member and current president of International Procurement Management Association of Hong Kong Limited since 1989.

Mr. Law Chuen Lam, Edward, aged 40, joined the Group in 1996. Mr. Law holds a degree in hotel management from the University of Hawaii. After serving the Hyatt Hotel Group in Hong Kong, Macau and Mainland China, Mr. Law joined Jones Lang Wootton. Prior to joining the Group, Mr. Law has acquired over 13 years of experience in the property services and hotel management.

Mr. Au-Yeung Yok Cho, aged 50, joined the Group in 1986 and has over 28 years of experience in the shipping industry and freight forwarding business.

PARTICULARS OF DIRECTORS (continued)

Executive directors (continued)

Mr. Koo Fook Sun, Louis, aged 46, joined the Group in 2002. Mr. Koo holds a bachelor of arts degree in business administration from the University of California at Berkeley and is a certified public accountant in the U.S.A. and an associate member of the Hong Kong Society of Accountants. Prior to joining the Group, Mr. Koo worked for many years at major international investment banks and an accounting firm and is highly experienced in equity capital markets, mergers and acquisitions, and investment management.

Non-executive directors

Mr. Choi Koon Ming, aged 34, holds a bachelor of arts degree from the University of British Columbia. He has extensive experience in the financing activities of corporate and property mortgage, real estate development and property investment. Mr. Choi is a registered dealer's representative with the Securities and Futures Commission.

Mr. Ha Kee Choy, Eugene, aged 45, is a fellow member of the Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. Mr. Ha holds a master degree in business administration and has over 14 years of experience in finance and banking industry.

Independent non-executive directors

Mr. Leung Ka Kui, Johnny, aged 44, is a qualified solicitor and is a Notary Public and China Appointed Attesting Officer. He has over 17 years of experience in legal field and is the senior partner of Messrs. Johnny K.K. Leung & Co., Solicitors and Notaries. Mr. Leung holds a bachelor of laws degree from the University of London.

Mr. Koo Tsang Hoi, aged 46, is a practising solicitor. He has over 12 years of experience in the legal field and is a partner of Messrs. T. H. Koo and Associates, Solicitors. Mr. Koo holds a bachelor degree in social science awarded by The Chinese University of Hong Kong. He is also a visiting lecturer of The Hong Kong Polytechnic University and SPACE, University of Hong Kong.



PARTICULARS OF DIRECTORS (continued)

Alternate director

Mr. Lau Cheuk Hung, Terence (alternate director to Mr. Law Chuen Lam, Edward), aged 43, obtained his science degree at the University of New South Wales, Australia in 1983. He then worked as an IT professional for IBM World Trade Corporation prior to changing to property field. Mr. Lau has over 12 years of experience in property marketing and is qualified and registered as a Licensed Estate Agent in New South Wales, Australia and Hong Kong. He is also the Chairman of Information Technology Committee of Society of Hong Kong Real Estate Agents Ltd.

DIRECTORS' SERVICE CONTRACTS

No director 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 Company within one year without payment of compensation other than statutory compensation, except for Messrs. Leung Tze Hang, David and Po Kam Hi, John, who have entered into service agreements with the Company as executive directors. The Company may terminate the agreements by serving twenty-four months' prior written notice to the respective parties.

DIRECTORS' INTERESTS IN CONTRACTS

Except for as disclosed under the heading "Connected Transactions" on pages 19 and 20 "Related Party Transactions" in note 36, no other contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which any director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31 March 2002, the directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which requires notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:-

(a) The Company

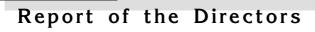
	Number of ordinary shares beneficially held			
	Personal	Corporate	Family	
	interest	interest	interest	
Leung Tze Hang, David	308,386,435	_	_	
Law Chuen Lam, Edward	61,437,865	_	_	
Au-Yeung Yok Cho	11,573,125	_	_	
Po Kam Hi, John	161,935,000	_	_	
Lee Ying Wah, Alfred Augustine (Note 1)	37,010,930	-	8,000,000 (Note 2)	

(b) Total Logistics Services Limited

		Number of ordinary shares beneficially held	
	Personal interest	Corporate interest	
Kam Hi, John	_	4,004,800 (Note 3)	

Note:

- Mr. Lee Ying Wah, Alfred Augustine has resigned as alternate director to Mr. Law Chuen Lam, Edward with effect from 17 May 2002.
- (2) These shares are held by the spouse of Mr. Lee Ying Wah, Alfred Augustine.
- (3) Total Logistics Services Limited was an associated corporation, within the meaning of the SDI Ordinance, of the Company. These shares are registered in the name of New Mileage Limited which is wholly owned by Mr. Po Kam Hi, John.



PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES (continued)

Save as disclosed above, none of the directors, chief executives or their associates had any beneficial or non-beneficial interests in the share capital of the Company or its associated corporation required to be disclosed pursuant to the SDI Ordinance and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the share option scheme adopted by the Company on 13 August 1998 (the "Option Scheme") which has expired on 13 August 2001, the directors of the Company may, at their discretion, invite employees and executive directors of the Group, to take up options to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The share options (the "Share Options") granted pursuant to the Option Scheme are exercisable within any time after 3 months from respective dates of acceptance up to (i) 3 years from respective dates of acceptance of the Share Options or (ii) a period of 6 months following the respective dates on which the grantees cease to be eligible employees of the Group, whichever is earlier.

The exercise price is determined by the directors of the Company but in any event shall not be less than 80% of the average of the official closing price of the ordinary shares of the Company as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant or the nominal value of an ordinary share of the Company.

The offer letter of the grant of the Share Options together with the payment of HK\$1.00 must be accepted by the grantee no later than 28 days after the date of grant, otherwise, it will be deemed to have been irrevocably declined.

Each grantee is only entitled to the Share Options which if exercised in full would cause the number of ordinary shares not to exceed 25% of the aggregate number of ordinary shares of the Company issued and issuable under the Option Scheme, except with the prior approval by the Company's shareholders.

As the Option Scheme has expired, no further Share Options can be granted under the Option Scheme.

No Share Options were exercised by the directors of the Company during the year.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

Details of the Share Options granted to the directors of the Company during the year ended 31 March 2002 pursuant to the Option Scheme are as follows:-

			Number of ordinary shares to be issued upon exercise of the Share Options			
		Exercise	Balance at	Granted	Balance at	
Directors	Date of grant	price	1 April 2001	during the year	31 March 2002	
Leung Tze Hang, David	5 June 2000	HK\$0.046	130,000,000	_	130,000,000	
	8 June 2001	HK\$0.010	-	35,000,000	35,000,000	
Law Chuen Lam, Edward	5 June 2000	HK\$0.046	90,000,000	_	90,000,000	
	8 June 2001	HK\$0.010	-	25,000,000	25,000,000	
Au-Yeung Yok Cho	5 June 2000	HK\$0.046	50,000,000	_	50,000,000	
-	8 June 2001	HK\$0.010	_	25,000,000	25,000,000	
Po Kam Hi, John	8 June 2001	HK\$0.010	-	25,000,000	25,000,000	
Chan Sing Fai	5 June 2000	HK\$0.046	130,000,000	_	130,000,000	
(Note 1)	8 June 2001	HK\$0.010	-	35,000,000	35,000,000	
Fong Chun Fat	5 June 2000	HK\$0.046	50,000,000	_	50,000,000	
(Note 1)	8 June 2001	HK\$0.010	_	25,000,000	25,000,000	
Chan Wing Fai	21 January 2000	HK\$0.188	40,000,000	_	40,000,000	
(Note 1)	5 June 2000	HK\$0.046	20,000,000	_	20,000,000	
	8 June 2001	HK\$0.010	-	25,000,000	25,000,000	
Lee Ying Wah,	21 January 2000	HK\$0.188	4,000,000	_	4,000,000	
Alfred Augustine	27 April 2000	HK\$0.054	6,000,000	-	6,000,000	
(Note 2)	8 June 2001	HK\$0.010	-	15,000,000	15,000,000	

Note:

(1) Messrs. Chan Sing Fai, Fong Chun Fat and Chan Wing Fai have resigned as directors of the Company with effect from 1 December 2001. These options were lapsed and cancelled on 1 June 2002 which is the date of expiration of six months after the date of their resignations.

(2) Mr. Lee Ying Wah, Alfred Augustine has resigned as alternate director to Mr. Law Chuen Lam, Edward with effect from 17 May 2002.

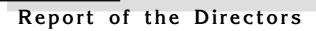
Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that no shareholders were interested in 10% or more of the issued share capital of the Company as at 31 March 2002.

CONNECTED TRANSACTIONS

- (a) 3 sale and purchase agreements all dated 30 October 2001 were entered into between Konmore Limited ("Konmore"), a wholly-owned subsidiary of the Company, and each of Messrs. Law Chuen Lam, Edward (an executive director of the Company), Lee Ying Wah, Alfred Augustine (an alternate director to Law Chuen Lam, Edward) and Chan Wing Fai (a former executive director of the Company) (collectively the "Purchasers") pursuant to which Konmore agreed to sell to each of the Purchasers one motor vehicle and the aggregate consideration is HK\$308,000;
- (b) 9 settlement agreements all dated 23 November 2001 were entered into between the Company and/or certain of its subsidiaries and each of 9 existing and former directors of the Company and/or certain of its subsidiaries (collectively "Director Creditors"). Pursuant to the settlement agreements, the Company agreed to issue an aggregate of 1,157,153,492 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.01 each in full and final satisfaction of a total amount of HK\$11,571,534.92 ("Director Creditors Debt") due to the Director Creditors by the Group. The Director Creditors Debt comprises salaries, double pay entitlements, reimbursement of expenses, payment in lieu of annual leave (for the period from October 2000 to November 2001) and cash advances made to the Group;
- (c) A consultancy settlement agreement dated 23 November 2001 was entered into between the Company and Twinkle Sphere Company Limited (the "Consultant Creditor"), a company which is controlled by Mr. Chan Tin Fu, a director of 401 Associates Limited, a wholly-owned subsidiary of the Company. Pursuant to the consultancy settlement agreement, the Company agreed to issue a total of 20,000,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.01 each in full and final satisfaction of the HK\$200,000 which represented the monthly retainer fee payable to the Consultant Creditor for the period from April, 2001 to August, 2001 by the Company; and
- (d) A consultancy agreement dated 23 November 2001 was entered into between the Company and Finnex Development Limited ("Finnex"), a company in which Mr. Chan Sing Fai is the controlling shareholder and ex-executive director of the Company, pursuant to which Finnex agreed to provide consultancy services assigned to it by the board of directors of the Company in consideration for a monthly remuneration of HK\$80,000 per month for a period of six months from 1 March 2002 onwards.



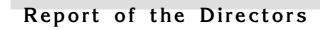
CONNECTED TRANSACTIONS (continued)

Saved as disclosed above, the directors confirm that there is no other connected transaction entered into by the Group for the year ended 31 March 2002.

MAJOR EVENTS DURING THE YEAR

Save as disclosed under the headings "Connected Transactions" on pages 19 and 20, the following are the major events occurred during the year:-

- (a) On 16 March 2001, the Company (as warrantor), Lucky Regent International Limited, a wholly-owned subsidiary of the Company (as purchaser, "LRI") and Silver Bound Capital Limited (the "Vendor") entered into an agreement pursuant to which LRI agreed to purchase Units B4*, C4, and D4 on Basement of Block 4 (*with one machine room of Block 4 and the lavatories on Ground Floor of Block 4 and the lift shaft and lift therein installed from Basement Floor to Ground Floor together with all necessary accessories and equipment), Kwun Tong Industrial Centre, Nos. 436-446 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong together with the existing tenancy for a consideration of HK\$8,000,000 which was satisfied by the issue of 800,000,000 new ordinary shares in the Company of HK\$0.01 per share, credited as fully paid at HK\$0.01 each to the Vendor. The agreement was completed on 7 May 2001. The Vendor and its beneficial owners are independent third parties not connected to the directors, chief executives or substantial shareholders of the Company, or their respective subsidiaries or associates, as defined in the Listing Rules.
- (b) On 21 June 2001, Total Property Services Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, the Company (as warrantor) and Skibbereen Company Limited (the "Vendor") entered into a sale and purchase agreement in which the Vendor agreed to sell and the Purchaser agreed to purchase 10th Floor of Block A and Car Parking Square No. P8 on the Ground Floor, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong together with the existing tenancy for investment purpose at a consideration of HK\$6,600,000. The consideration was satisfied by the issue and allotment of 600,000,000 new ordinary shares in the Company of HK\$0.01 per share, credited as fully paid at HK\$0.011 each to the Vendor. The agreement was completed on 29 June 2001. The Vendor and its beneficial owners are independent third parties not connected to the directors, chief executives or substantial shareholders of the Company, or their respective subsidiaries or associates, as defined in the Listing Rules.
- (c) On 6 July 2001, Cyberoffice Limited ("CBO"), a 60% owned subsidiary of the Company, applied for creditors' voluntary liquidation. The results of CBO up to its date of liquidation has been consolidated into the accounts and the total loss for the year contributed by this subsidiary amounted to approximately HK\$1,828,000. The final meeting of members and creditors of CBO was held on 6 May 2002, and CBO will be dissolved on the expiration of 3 months from that date.



MAJOR EVENTS DURING THE YEAR (continued)

- (d) On 23 July 2001, Cyberhome Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, the Company (as warrantor) and New Horizon Associates Limited (the "Vendor") entered into a sale and purchase agreement in which the Vendor agreed to sell and the Purchaser agreed to purchase Unit 809, 8th Floor of Tower III, Enterprise Square, No. 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong together with the existing tenancy for investment purpose at a consideration of HK\$6,000,000. The consideration was satisfied by the issue and allotment of 600,000,000 new ordinary shares in the Company of HK\$0.01 per share, credited as fully paid at HK\$0.01 each to the Vendor. The agreement was completed on 7 August 2001. The Vendor and its beneficial owners are independent third parties not connected to the directors, chief executives or substantial shareholders of the Company, or their respective subsidiaries or associates, as defined in the Listing Rules.
- On 27 August 2001, Citilink Investment Limited (the "Purchaser"), a wholly-owned subsidiary of (e) the Company, the Company (as warrantor) and EP & Partners Limited (the "Vendor") entered into a sale and purchase agreement in which the Vendor agreed to sell and the Purchaser agreed to purchase Unit No. 52 on the Ground Floor of the Podium of Blocks 1, 2 and 3 of the City Garden, No. 231 - 233 Electric Road, Hong Kong together with the existing tenancy for investment purpose at a consideration of HK\$3,000,000. The consideration was satisfied by the issue and allotment of 150,000,000 new ordinary shares in the Company of HK\$0.01 per share, credited as fully paid at HK\$0.01 each and by the issue of a convertible bond in an aggregate principal amount of HK\$1,500,000 with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of HK\$0.01 per ordinary share, subject to adjustment, to the Vendor. The agreement was completed on 12 September 2001. The Vendor and its beneficial owners held an aggregate of 5,000,000 ordinary shares in the Company at the date of the agreement. The Vendor and its beneficial owners are independent third parties not connected to the directors, chief executives or substantial shareholders of the Company, or their respective subsidiaries or associates, as defined in the Listing Rules.
- (f) On 30 November 2001, a winding-up petition (the "Petition") was filed against the Company by Gold Metro Finance Limited ("Gold Metro"). It was alleged in the Petition that a sum of HK\$4,011,917.82 was due and owing to Gold Metro by the Company (the "Outstanding Sum"). The Outstanding Sum was alleged to be the balance of HK\$4,098,712.32 (being the principal sum of HK\$4,000,000 under four HK\$1,000,000 convertible bonds issued by the Company in favour of Gold Metro on 29 December 2000 (the "Convertible Bonds") and the maturity date of which is 29 December 2002 plus interest of HK\$98,712.32 as at 12 October 2001) demanded by Gold Metro in the written notices served on the Company on 12 October, 2001 less an amount of HK\$86,794.50 paid by the Company to Gold Metro on 17 October, 2001 ("Interest Payment"). The Interest Payment was made by the Company for the period from 29 June, 2001 to 28 September, 2001 which was due on 29 September, 2001.



MAJOR EVENTS DURING THE YEAR (continued)

The Company redeemed the Convertible Bonds to Gold Metro on 11 February 2002 and accordingly, the Petition was dismissed on that date.

(g) On 11 February 2002, the Company entered into a subscription agreement with White Opal Holdings Limited (the "Subscriber"). Pursuant to the agreement, the Company agreed to issue a convertible bond in an aggregate principal amount of HK\$4,000,000 to the Subscriber with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of HK\$0.01 per ordinary share, subject to adjustment. The net proceeds from the subscription of the convertible bond were being used for reducing certain existing debts of the Group. The agreement was completed on 14 March 2002. At the date of the subscription agreement, the Subscriber held an aggregate of 117,820,344 ordinary shares of HK\$0.01 each in the share capital of the Company and was the holder of a secured convertible bond in the Company in a principal amount of HK\$2,700,000 and a creditor of the Company. The Subscriber and its beneficial owners are not connected to the directors, chief executives or substantial shareholders of the Company, or their respective subsidiaries or associates, as defined in the Listing Rules.

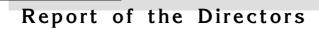
NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

Including the directors of the Company, as at 31 March 2002, the Group employed a total of 33 fulltime employees. Remuneration packages comprise salary and year-end bonuses based on individual merits.

The Company adopted a share option scheme, which expired on 13 August 2001, with details stated under the heading of "Directors' and Chief Executives' Benefits from rights to acquire Shares or Debentures". During the year, a total of 350,000,000 share options were granted to the employees under the scheme and 143,200,000 share options were lapsed in accordance with the terms of the option scheme as the grantees ceased to be entitled to hold those options and as at 31 March 2002, 1,068,800,000 share options were outstanding.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

During the year ended 31 March 2002, the Code of Best Practice has been complied with by the Company except that non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objectives of the Code of Best Practice.



DISCLOSURE UNDER PRATICE NOTE 19 OF THE LISTING RULES

The following information is disclosed in accordance with Practice Note 19 of the Listing Rules:-

In March 2001, the Group disposed of its entire shareholding interest in AWT Shipping Limited ("AWT Shipping", a company which was engaged in shipping business and was 50% owned with the control of the composition of its board of directors by the Group) to Best Start Trading Limited ("Best Start"), an independent third party of the Group. Concurrently, agreement had also been made for the sale from the Group to Best Start of the loan due by AWT Shipping to the Group in consideration of HK\$11,500,000, with payment of the consideration to be made by Best Start to the Group by six monthly instalments commencing from March 2001. Pursuant to the subsequent agreement made between the Group and Best Start, payment of the outstanding balance of the consideration had been rescheduled to be made by five monthly instalments commencing from October 2001.

In addition, a fixed deposit of the Company amounting to approximately HK\$5,980,000 (the "Deposit") was pledged to a bank as a security for guarantee granted by the bank on behalf of AWT Shipping to a leasing company to the extent of US\$755,000 (the "Guarantee"). The Guarantee was arranged when AWT Shipping was a subsidiary of the Company. AWT Shipping was in severe financial difficulties since January 2002 and defaulted its payments due to the leasing company which therefore demanded the Company to make the payments under the Guarantee. Consequently, the Deposit was wholly paid to the leasing company up to the report date.

As at 31 March 2002, the total outstanding loan balances (together with the Deposit amount paid to the leasing company) due by AWT Shipping to the Group was approximately HK\$8,773,000. A winding up order was issued against AWT Shipping on 17 July 2002, and the outstanding debt due by AWT Shipping was therefore fully provided in the accounts.

AUDITORS

There were no changes in auditors of the Group in any of the preceding three years.

A resolution to reappoint the retiring auditors, Graham H. Y. Chan & Co. will be put at the forthcoming annual general meeting.

On behalf of the Board

Leung Tze Hang, David Managing Director

Hong Kong, 26 July 2002

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