

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 acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 38 and 20 respectively to the financial statements.

RESULTS

The results of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 16.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 29 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 58.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL AND WARRANTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

There has been no purchase, redemption or sale of shares and warrants of the Company by the Company or any of its subsidiaries during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2002, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 74% of the Group's total turnover of which the largest customer accounted for approximately 40%. The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 68% of the Group's total purchase of which the largest supplier accounted for approximately 20%.

MAJOR CUSTOMERS AND SUPPLIERS (continued)

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in any of the Group's five largest suppliers or customers.

DIRECTORS

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

Executive directors:

Mr. Lo Chi Ho, William	
Mr. To Chi	
Mr. Choi Wing Kin	(appointed on 4 May 2001)
Mr. Wu Wing Kin	(appointed on 4 May 2001 as a non-executive director and became an executive director on 1 March 2002)
Mr. Ng Tik Hong	(appointed on 7 March 2002)
Mr. Leung Kwok Kui	(resigned on 31 January 2002)
Mr. Kwong Choi Kuen	(resigned on 31 January 2002)
Ms. Li Sau Lin	(resigned on 8 February 2002)
Mr. Leung Ge On, Andy	(resigned on 12 April 2002)

Independent non-executive directors:

Mr. Cheung Hon Kit	(appointed on 8 February 2002)
Mr. Ng Wai Hung	(appointed on 8 February 2002)
Mr. Lui Bing Kin, Michael	(resigned on 30 April 2001)
Mr. Lum Chor Wah, Richard	(resigned on 7 March 2002)

Under the provisions of the Company's Bye-Laws, Messrs. To Chi, Ng Tik Hong, Cheung Hon Kit and Ng Wai Hung retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

The term of office for the non-executive directors is the period up to their retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 31 March 2002, the following director held interests in the shares of Cyber On-Air Group Company Limited (formerly known as hkcyber.com (Holdings) Limited) ("COA"), a 27.50% owned associate of the Group, as follows:

Name of director	Number and description of ordinary shares held
Lo Chi Ho, William	31,250,000 ordinary shares of HK\$0.05 each (see Note)

Note: By a capital reorganisation ("Capital Reorganisation") of COA which became effective on 6 May 2002, the nominal value of each of the issued existing shares of HK\$0.05 each in the share capital of COA before the Capital Reorganisation was reduced from HK\$0.05 to HK\$0.0005 and every 20 shares of HK\$0.0005 each in issue upon the completion of such capital reduction were consolidated into 1 share of HK\$0.01 each in the capital of COA ("New Share"). The above 31,250,000 shares of HK\$0.05 each in the share capital of COA became 1,562,500 New Shares upon the Capital Reorganisation becoming effective.

Other than as disclosed above and as disclosed in the section headed "Share options" below, none of the directors nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

SHARE OPTIONS

The Company's share option scheme ("Scheme") was adopted pursuant to a resolution passed on 1 April 1996 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 1 April 2006. Under the Scheme, the board of directors of the Company may grant options to employees, including any executive director, of the Company and its subsidiaries, to subscribe for shares in the Company.

SHARE OPTIONS (continued)

The total number of shares of the Company in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the issued share capital of the Company on the date of the proposed grant less the aggregate of (i) the number of shares of the Company which would be issued on the exercise in full of the options granted but not exercised on that date and (ii) the number of shares of the Company which have been issued and allotted pursuant to the exercise of any option already granted on such date. As at 31 March 2002, the total number of shares of the Company in respect of which options may be granted under the Scheme was 60,709,995 shares, after deducting options in respect of 133,200,000 shares that had been lapsed in accordance with the terms of the Scheme. No option shall be granted to any employee if the number of shares of the Company the subject of such option when added to the number of shares of the Company which have been subscribed on exercise of any option granted to him under the Scheme and the number of shares of the Company for which the employee is entitled to subscribe under any outstanding option would exceed 25% of the maximum aggregate number of shares of the Company subject to the Scheme.

Consideration to be paid on each grant of option is HK\$10 and an offer for an option must be accepted by the employee not later than 28 days after the offer date of the option. Options granted may be exercised at any time after the date of grant of the option and before the date which is three years after the date of grant. The exercise price is determined by the directors of the Company, and shall not be less than the greater of (i) 80% of the average closing price of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the offer date of the option and (ii) the nominal value of the Company's shares.

The following table discloses movements in the Company's share options during the year:

	Date granted	Exercise price per share HK\$	Exercisable period	At 1.4.2001	Lapsed during the year	At 31.3.2002
Director						
Lo Chi Ho, William	29 February 2000	0.304	1 March 2000 to 28 February 2003	45,000,000	–	45,000,000
	14 February 2001	0.039	15 February 2001 to 14 February 2004	50,000,000	–	50,000,000
Total director				95,000,000	–	95,000,000

SHARE OPTIONS (continued)

Date granted	Exercise price per share HK\$	Exercisable period	At 1.4.2001	Lapsed during the year	At 31.3.2002
Employees					
28 December 1999	0.2388	29 December 1999 to 28 December 2002	8,200,000	(8,200,000)	–
29 February 2000	0.304	1 March 2000 to 28 February 2003	45,000,000	(45,000,000)	–
Total employees			53,200,000	(53,200,000)	–
Total			148,200,000	(53,200,000)	95,000,000

Other than as disclosed above, none of the directors nor their spouses or children under the age of 18 were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following entity had an interest of 10% or more in the share capital of the Company:

Name	Number of shares of the Company	%
Companion Building Material (Holdings) Limited ("CBM")	1,771,951,735 (<i>Note</i>)	39.31

Note: Of the above 1,771,951,735 shares of the Company held by CBM, 1,770,751,735 shares were kept in a margin account with a securities house. CBM also mortgaged 1,769,501,735 shares of the Company to Bestar Investment Limited ("Bestar") as at 31 March 2002 with the consent of the securities house. Bestar is wholly owned by Mr. Wong Chun Mo.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March 2002.

CODE OF BEST PRACTICE

The Company has only one independent non-executive director from 30 April 2001 to 7 February 2002, which is non-compliance with Chapter 3.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). No audit committee has been formed during that period.

Save as disclosed above and apart from the fact that the non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws, 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 Listing Rules.

PRE-EMPTIVE RIGHTS

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

AUDITORS

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

By Order of the Board
To Chi
Executive Director

Hong Kong, 25 July 2002