

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st March 2002.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 20th February 2001 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands.

On 22nd October 2001, pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the ultimate holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30th October 2001. The shares of the Company have been listed on the Main Board of the Stock Exchange since 12th November 2001.

The Reorganisation has been reflected in these accounts by regarding the Company as having been the holding company of the Group from the beginning of the earliest period presented. The basis of presentation of these accounts is set out in note 1 to the accounts.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 13 to the accounts.

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 19.

The directors recommended, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of HK\$0.1 per ordinary share, totalling HK\$18,000,000 (2001: Nil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2002, amounted to HK\$104 million. Under the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium unless the Company shall be able to pay its debts as they fall due in ordinary course of business.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of the Cayman Islands.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last four financial years is set out as follows:

	2002	2001	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Results				
Profit attributable to shareholders	<u>29,342</u>	<u>26,940</u>	<u>31,497</u>	<u>25,943</u>
Assets and liabilities				
Total assets	179,478	123,696	118,973	111,493
Total liabilities	<u>(60,713)</u>	<u>(66,775)</u>	<u>(63,807)</u>	<u>(57,825)</u>
Shareholders' funds	<u>118,765</u>	<u>56,921</u>	<u>55,166</u>	<u>53,668</u>

The results, assets and liabilities of the Group for each of the three years ended 31st March 2001 and the results for the year ended 31st March 2002 have been prepared on the basis of merger accounting as if the group structure which became effective in October 2001, had been in existence throughout the four years then ended. The assets and liabilities of the Group at 31st March 2002 have been prepared on a consolidated basis.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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SHARE OPTIONS

Pursuant to the Company's share option scheme (the "Scheme") approved on 22nd October 2001, the Board may, at its discretion, offer full-time employees or executives of the Group, including the full-time executive directors and executive directors of any of its subsidiaries, options to subscribe for shares of the Company.

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and rewards for their contributions to the Group.

The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Scheme and under any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue.

At 31st March 2002, no option has been granted or agreed to be granted under the Scheme. No option may be granted to any one employee, which in any 12-month period up to the date of grant shall exceed 1% of the shares in issue as at the date of grant.

Unless otherwise terminated or amended, the Scheme will be valid and effective for a period of 10 years commencing on 22nd October 2001, after which no further options will be granted thereunder.

Pursuant to the Scheme, HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of a grant of options.

The exercise price of options pursuant to the Scheme is absolute discretion determined by the Board and will not be less than the highest of the followings:

- (i) The closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) The average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share, provided that for the purpose of determining the subscription price of the shares where the shares have been listed on the Stock Exchange for less than five business days preceding the date of grant, the issue price of the shares in connection with such listing shall be deemed to be the closing price of the shares for each business day falling within the period before the listing of the shares on the Stock Exchange.

DIRECTORS

The directors during the year were:

Mr. NG Man Chan	(appointed on 20th February 2001)
Ms. LI Mi Lai	(appointed on 20th February 2001)
Mr. CHAN Fuk Wah	(appointed on 20th February 2001)
Mr. SINN Wai Kin, Derek	(appointed on 20th February 2001)
^Mr. TONG Hing Chi	(appointed on 20th February 2001)
*Mr. LEE Man Kwong	(appointed on 20th February 2001)
*Mr. LAM Ming Leung	(appointed on 11th July 2001)

^: *Non-executive director*

*: *Independent non-executive directors*

In accordance with Article 87 of the Company's Articles of Association, Mr. LAM Ming Leung retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. NG Man Chan, Ms. LI Mi Lai, Mr. CHAN Fuk Wah and Mr. SINN Wai Kin, Derek has entered into a service contract with the Company for a term of two years commencing 1st September 2001, which may be terminated by either party thereto giving to the other six months' prior notice in writing, which notice period shall not expire at any time during the first year of the term.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 10 to 11.

CONNECTED TRANSACTIONS

The related party transactions for the year ended 31st March 2002 as disclosed in note 26 to the accounts in respect of rental paid to related parties also constitute connected transactions. As these transactions for the year fall within the limit of Chapter 14 of the Rules Governing the Listing of the Securities on the Stock Exchange ("the Listing Rules"), they are not subject to any disclosure or shareholders' approval requirements.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st March 2002, the interests of the directors and chief executives in the shares 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 under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of Director	Ordinary shares of HK\$0.10 each in the Company			
	Personal interests	Family interests	Corporate interests (Note 1)	Other interests (Note 2)
Mr. NG Man Chan	—	—	95,000,000	7,000,000
Ms. LI Mi Lai	—	—		7,000,000
Mr. TONG Hing Chi	—	—		7,000,000

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DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(Continued)*

Note:

- 1 Held through Fortune Gold Developments Limited in which Mr. NG Man Chan is legally and beneficially owning shares in.
- 2 Held through Mei Ah Holdings Limited in which Mr. NG Man Chan, Ms. LI Mi Lai and Mr. TONG Hing Chi are legally and beneficially indirectly owning shares in.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st March 2002, the Company had been notified of the following substantial shareholders' interest, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Name of shareholder	Number of ordinary shares held
Airsirco Profits Limited	28,000,000

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its goods to its five largest customers.

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases	
– the largest supplier	22%
– five largest suppliers combined	52.97%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with Appendix 14 of the Listing Rules since the date of listing except that the term of office for the independent non-executive directors of the Company are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's bye-laws. This does not comply with Paragraph 7 of the Code of Best Practice which suggests that independent non-executive directors should be appointed for a specific term.

AUDIT COMMITTEE

An audit committee, comprising two independent non-executive directors, namely Mr. LEE Man Kwong and Mr. LAM Ming Leung was established on 24th December 2001.

By reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the audit committee include the review and supervision of the Group’s financial reporting process and internal controls.

During the year, the audit committee met once since its establishment with management to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

RETIREMENT SCHEME ARRANGEMENTS

With effect from 1st December 2000, a mandatory provident fund scheme (the “MPF Scheme”) was made compulsory as enforced by the Mandatory Provident Fund Schemes Authority of Hong Kong. The MPF Scheme is a defined contribution retirement benefit scheme administered by independent trustees. Each of the employer and the employee has to contribute an amount equal to 5% of the relevant income (plus cashable allowances) of the employee to the MPF Scheme. Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to certain exceptions.

The employer’s contributions, which have been dealt with in the consolidated profit and loss account of the Group for the year, amounted to approximately HK\$235,758 (2001: HK\$50,594).

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

NG Man Chan

Chairman

Hong Kong, 30th July, 2002