

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 30 November 2002.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results

The Group's profit for the year ended 30 November 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 20 to 54.

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Summary of financial information

The following is a summary of the published results, and assets, liabilities and minority interests of the Group for the last five years, as extracted from the published audited financial statements and reclassified as appropriate.

	Year ended 30 November				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Turnover	<u>824</u>	<u>1,681</u>	<u>17,375</u>	<u>325,521</u>	<u>401,742</u>
Profit/(loss) from operating activities	(12,065)	(21,057)	(91,556)	(292,363)	139,833
Finance costs	(2,131)	(12,249)	(20,623)	(9,324)	(7,177)
Gain on disposal of subsidiaries	33,658	252	–	–	–
Gain on a debt restructuring	–	18,114	–	–	–
Share of results of a jointly-controlled entity	–	–	(44,690)	–	–
Profit/(loss) before tax	<u>19,462</u>	<u>(14,940)</u>	<u>(156,869)</u>	<u>(301,687)</u>	<u>132,656</u>
Tax	–	–	38	683	(21,634)
Profit/(loss) before minority interests	<u>19,462</u>	<u>(14,940)</u>	<u>(156,831)</u>	<u>(301,004)</u>	<u>111,022</u>
Minority interests	<u>163</u>	<u>6,173</u>	<u>1,039</u>	<u>1,759</u>	<u>458</u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u>19,625</u>	<u>(8,767)</u>	<u>(155,792)</u>	<u>(299,245)</u>	<u>111,480</u>
Total assets	62,918	86,102	25,941	78,096	389,736
Total liabilities	(28,333)	(70,979)	(172,794)	(153,446)	(184,465)
Minority interests	–	(163)	(6,336)	(8,571)	(10,184)
Net assets/(liabilities)	<u>34,585</u>	<u>14,960</u>	<u>(153,189)</u>	<u>(83,921)</u>	<u>195,087</u>

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Major customers and suppliers

Sales to the three customers of the Group accounted for all of the Group's total turnover for the year. In particular, sales to the Group's largest customer accounted for approximately 83% of the Group's total turnover for the year.

Purchases from the three suppliers of the Group accounted for all of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 79% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's issued share capital had any beneficial interest in the Group's three largest customers and/or three largest suppliers.

Fixed assets

Details of the movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

Reserves

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 25 to the financial statements.

Distributable reserves

As at 30 November 2002, the Company had no reserves available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands. However, the capital reserve and share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 30 November 2002, the Company's capital reserve and share premium account amounted to approximately HK\$182,607,000 in aggregate.

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Directors

The directors of the Company during the year were:

Executive directors

Mr. Yeung Kwok Kwong (<i>Chairman</i>)	
Ms. Wong Yuk Ching	(appointed on 8 January 2002)
Mr. Zhou Ge	(appointed on 16 August 2002)
Mr. Au-Yeung Chi Hung, Alex	(resigned on 16 August 2002)

Non-executive directors

Mr. Lai Ka Fai*	
Mr. Ho Ping	(resigned on 8 January 2002)

Independent non-executive directors

Mr. Conway Anthony Francis Martin
Mr. Siu Leung Yau
Mr. Liu Kwong Sang

* On 8 January 2002, Mr. Lai Ka Fai changed his directorship from executive director to non-executive director of the Company.

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Conway Anthony Francis Martin, Mr. Siu Leung Yau, Mr. Zhou Ge and Ms. Wong Yuk Ching will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive director and independent non-executive directors, but excluding the Chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

Directors' service contracts

Each of Mr. Yeung Kwok Kwong, Mr. Au-Yeung Chi Hung, Alex and Mr. Lai Ka Fai entered into a service contract with the Company for a term of three years commencing on 1 September 2000, subject to the provision that either party to the service contract may terminate the contract by serving to the other party a written notice not less than six months prior to the effective date of termination. On 16 August 2002, Mr. Au-Yeung Chi Hung, Alex resigned as an executive director of the Company by serving to the Company a written notice not less than six months.

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Directors' service contracts (continued)

On 8 January 2002, Mr. Lai Ka Fai changed his directorship from executive director to non-executive director and entered into a new service contract with the Company as a non-executive director for a term of two years commencing on 8 January 2002, subject to the provision that either party to the service contract may terminate the contract by serving to the other party a written notice not less than one month prior to the effective date of termination.

Ms. Wong Yuk Ching entered into a service contract with the Company for a term of two years commencing on 8 January 2002, subject to the provision that either party to the service contract may terminate the contract by serving to the other party a written notice not less than one month prior to the effective date of termination.

Mr. Zhou Ge entered into a service contract with the Company commencing on 16 August 2002 with no specified duration of service, subject to the provision that either party to the service contract may terminate the contract by serving to the other party a written notice not less than two months prior to the effective date of termination.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment, other than statutory compensation.

Directors' interests in shares

As at 30 November 2002, the interests of a director and his associates in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Ordinary shares of the Company

Name of director	Number of ordinary shares held	Nature of interests
Yeung Kwok Kwong	6,000,000	Personal

In addition to the above, Mr. Yeung Kwok Kwong has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations which were recorded in the Register as defined in the SDI Ordinance.

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Directors' rights to acquire shares or debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the directors of the Company and any of its subsidiaries, and other employees of the Group. The Scheme became effective on 19 August 1998 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time.

No option may be granted to any eligible participant which, if exercised in full, would result in such eligible participant being entitled to subscribe for such number of the shares of the Company as, when aggregated with the total number of the Company's shares already issued and issuable to him/her under the Scheme, would exceed 25% of the aggregate number of the Company's shares in issue and issuable under the Scheme.

No consideration is payable by the grantee of an option upon acceptance of the grant of the option. The exercise period of the share options granted is determinable by the directors, and in any event is not later than ten years commencing on the date on which the share options are granted.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average of the 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 date of the offer of the option; and (ii) the nominal value of the shares.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which came into effect on 1 September 2001. In accordance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Group may have to alter the terms of the existing share option scheme, or adopt a new share option scheme before further options are granted. The directors intend to terminate the existing share option scheme and adopt a new scheme.

During the year, no share option was granted or outstanding under the share option scheme.

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Directors' interests in contracts

Save as disclosed in note 4 to the financial statements, no director had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

Substantial shareholders

As at 30 November 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held	Percentage of the Company's share capital
Marble King International Limited	3,338,460,250	56.1%

In addition, Marble King International Limited held the entire 4,000,000,000 convertible preference shares in the Company, issued partly paid as to 10% of the subscription price of HK\$0.02 per share as at 30 November 2002.

Marble King International Limited, a company incorporated in the British Virgin Islands, is beneficially owned by Mr. Or Wai Sheun.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Biographical details in respect of directors

Executive directors

Mr. Yeung Kwok Kwong, aged 44, joined the Company in September 2000 as the Chairman and managing director. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Ms. Wong Yuk Ching, aged 46, joined the Company in January 2002 as an executive director. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. She is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

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Biographical details in respect of directors (continued)

Executive directors (continued)

Mr. Zhou Ge, aged 31, joined the Company in August 2002 as an executive director. Prior to joining the Company, he was a director of UBS Warburg Asia Limited. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Zhou graduated from the University of Manchester Institute of Science and Technology with a bachelor's degree in chemical engineering. He also holds a degree of Master of Business and Administration from the Massachusetts Institute of Technology Sloan School of Management.

Mr. Au-Yeung Chi Hung, Alex, aged 43, joined the Company in September 2000 as an executive director. Prior to joining the Company, he held managerial and director positions in large property development and manufacturing companies and worked for various international consultancy firms involved in infrastructure work and power projects. He has over 20 years of experience in project management, finance, operational management, and production planning and development. Mr. Au-Yeung is a member of the Hong Kong Institution of Engineers. Mr. Au-Yeung resigned on 16 August 2002.

Non-executive directors

Mr. Lai Ka Fai, aged 38, joined the Company in September 2000 as an executive director. On 8 January 2002, Mr. Lai was re-designated as a non-executive director of the Company. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 15 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Ho Ping, aged 46, is an investment consultant of King Pacific International Holdings Limited, the shares of which are listed on the Stock Exchange. Mr. Ho graduated from the Construction Engineering Department of Qinghua University in 1979. Mr. Ho has over 14 years' working experience in the PRC and was a manager of China International Trust & Investment Corporation for eleven years. Mr. Ho resigned on 8 January 2002.

Independent non-executive directors

Mr. Conway Anthony Francis Martin, aged 62, joined the Company in September 2000 as an independent non-executive director. Mr. Conway has over 38 years' experience in information technology and telecommunications, having held director and senior management positions in Hongkong Telecom, New World Telephone, Unysis, and NCR. He is currently the chairman of both I.Tel Holdings Ltd., an investment holding company for I.T. related activities, and the Hong Kong Management Association Information Technology Committee. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

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Biographical details in respect of directors (continued)

Independent non-executive directors (continued)

Mr. Siu Leung Yau, aged 49, joined the Company in September 2000 as an independent non-executive director. Mr. Siu has over 22 years' experience in property agency, investment and development. He is currently the managing director of Pan Win Holdings Limited. Mr. Siu is a member of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited and a member of the Hong Kong Institute of Real Estate Administration.

Mr. Liu Kwong Sang, aged 40, joined the Company in July 2000 as an independent non-executive director. He is a practising accountant in Hong Kong with more than 12 years' experience. He is also a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Society of Accountants.

Purchase, redemption or sale of listed securities of the Company

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

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Director's interests in competing businesses

During the year and up to the date of this report, no directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules.

Compliance with the Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that Mr. Ho Ping, a non-executive director who resigned on 8 January 2002, and the independent non-executive directors were not appointed for any specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

Audit committee

The Company established an audit committee in March 2000 in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The present members of the audit committee are two of the independent non-executive directors of the Company, namely Mr. Liu Kwong Sang and Mr. Siu Leung Yau.

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Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yeung Kwok Kwong

Chairman

Hong Kong

28 March 2003