

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 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 12 and 13 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 March 2001 are set out in the consolidated income statement on page 21.

The directors do not recommend the payment of a dividend.

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 72.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$18,454,000 on the acquisition of property, plant and equipment to expand the Group's production facilities.

The land and buildings of the Group were revalued on 31 March 2001. The revaluation resulted in a net surplus over book value of approximately HK\$136,000 which has been credited directly to the asset revaluation reserve.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL AND OPTIONS

Details of changes during the year in the authorised and issued share capital and share options of the Company are set out in notes 23 and 24 to the financial statements, respectively.

RESERVES

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

Directors' Report

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Chau Lai Him (Chairman and Managing Director)

Mr. Zhou Jin Hua (Deputy Chairman)

Mr. Yeung Kam Tung

Mr. Chow Kin Ming (appointed on 23 May 2000)

Mr. Lo Yat Fung, Timothy (resigned on 23 May 2000)

Mr. Yau Kang Nam, Francis (resigned on 1 June 2000)

Mr. Zhou Fu Xin (resigned on 2 January 2001)

Independent non-executive directors:

Mr. Lo Kao Cheng

Mr. Lo Wai Ming

Mr. Wong Chi Pang, Panny (appointed on 11 December 2000)

Mr. Chan Wai Dune (resigned on 5 December 2000)

Except for the Chairman, all directors are subject to retirement by rotation.

In accordance with Clause 87(1) and Clause 86(2) of the Company's Bye-Laws, Messrs. Lo Kao Cheng and Wong Chi Pang, Panny shall retire and, being eligible, offer themselves for re-election. The other directors continue in office.

Independent non-executive directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the directors 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.

Directors' Report

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DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2001, the interests of the directors and their associates in the share capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Type of interest	Number of shares
Mr. Chau Lai Him	Personal	135,000,000
	Other (Note)	3,965,000,000

Note: These shares are held by Chau's Family 1996 Limited, a wholly owned company by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau Lai Him is a discretionary object.

Other than as disclosed above, none of the directors or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 March 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The share option scheme of the Company enables the directors and employees of the Group to subscribe for shares in the Company. Details of the share option scheme are set out in note 24 to the financial statements.

Details of the outstanding share options held by the directors under the share option scheme of the Company during the year are as follows:

Name of director	Date of grant	Exercisable period	Exercise price	Number of share options				
				Balance at 1.4.2000	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.3.2001
			HK\$					
Mr. Zhou Jin Hua	5 October 2000	5 April 2001 to 4 April 2003	0.015	-	285,000,000	-	-	285,000,000
Mr. Yeung Kam Tung	5 October 2000	5 April 2001 to 4 April 2003	0.015	-	100,000,000	-	-	100,000,000
Mr. Chow Kin Ming	5 October 2000	5 April 2001 to 4 April 2003	0.015	-	100,000,000	-	-	100,000,000
Mr. Zhou Fu Xin	5 October 2000	5 April 2001 to 4 April 2003	0.015	-	285,000,000	-	(285,000,000)	-

Directors' Report

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (CONTINUED)

The Company did not receive any consideration in respect of the share options granted during the year.

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 securities of the Company, or had exercised any such right during the year, and at no time during the year was the Company or any of its subsidiaries, a party to any arrangements 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 contract 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

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest of 10% or more in the issued share capital of the Company as at 31 March 2001.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2001, the five largest customers of the Group together accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 55% by value of the Group's total purchases during the year, with the largest supplier accounting for 31%.

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) have an interest in any of the Group's five largest suppliers or customers.

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.

PRE-EMPTIVE RIGHTS

There are no provisions 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.

Directors' Report

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AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the year ended 31 March 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 35 to the financial statements.

AUDITORS

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

On behalf of the Board

Chau Lai Him

Chairman

27 July 2001