

Report of the Directors

The directors herein present their first report and the audited financial statements of the Company for the period from 25 September 2000 (date of incorporation) to 31 December 2000 and of the Group for the year ended 31 December 2000.

Group reorganisation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands on 25 September 2000. Pursuant to a reorganisation scheme to rationalise the Group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 28 November 2000 (the "Reorganisation"). Further details of the Reorganisation, together with details of the subsidiaries acquired pursuant thereto, are set out in notes 1, 16 and 24 to the financial statements and in the Company's prospectus dated 5 December 2000.

On 18 December 2000, the shares of the Company were listed on the Stock Exchange.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. The principal activities of the subsidiaries have not changed during the year.

Segmental information

Details of the Group's segmental information are set out in note 6 to the financial statements.

Report of the Directors

Results and dividends

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 28 to 54.

As stated in the Company's prospectus dated 5 December 2000, an interim dividend of HK\$20,000,000 and a special dividend of HK\$10,000,000 were paid by certain subsidiaries of the Company to their then shareholders prior to the Reorganisation and the listing of the Company's shares on the Stock Exchange.

The directors of the Company do not recommend the payment of any dividend in respect of the period.

Summary of financial information

The following is a summary of the published consolidated/combined results and assets and liabilities of the Group for each of the four years ended 31 December 2000 prepared on the basis set out in the note below:

RESULTS

	Year ended 31 December			
	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	188,734	106,547	86,628	74,205
PROFIT BEFORE TAX	62,023	31,842	23,657	18,968
Tax	(7,488)	(4,158)	-	-
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	54,535	27,684	23,657	18,968

Report of the Directors

Summary of financial information (continued)

ASSETS AND LIABILITIES

	2000	As at 31 December		1997
	HK\$'000	1999 HK\$'000	1998 HK\$'000	HK\$'000
FIXED ASSETS	57,083	42,786	46,256	47,638
INVESTMENT PROPERTIES	16,000	15,846	15,846	15,846
CLUB DEBENTURE	350	350	350	350
CURRENT ASSETS	116,354	40,723	25,878	22,363
TOTAL ASSETS	189,787	99,705	88,330	86,197
CURRENT LIABILITIES	52,679	36,607	45,935	66,556
NON-CURRENT LIABILITIES	4,298	5,345	6,326	7,229
TOTAL LIABILITIES	56,977	41,952	52,261	73,785
NET ASSETS	132,810	57,753	36,069	12,412

Note:

The summary of the combined results, assets and liabilities of the Group for each of the three years ended 31 December 1999 has been extracted from the Company's prospectus dated 5 December 2000. The results of the Group for the year ended 31 December 2000 and the assets and liabilities of the Group as at that date are those set out in the financial statements on pages 28 and 30, respectively. The summary of the consolidated/combined results, assets and liabilities of the Group includes the results, assets and liabilities of the Company and its subsidiaries as if the current Group structure had been in existence throughout the four years ended 31 December 2000, and is presented on the basis as set out in note 2 to the financial statements.

Fixed assets and investments properties

Details of movements in the fixed assets and investment properties of the Group are set out in notes 14 and 15 to the financial statements, respectively.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 16 to the financial statements.

Borrowings

Details of the borrowings of the Group are set out in notes 22 and 23, respectively, to the financial statements.

Share capital and share options

Details of movements in the Company's share capital since 25 September 2000 (date of incorporation), together with the reasons therefor, and details of the Company's share option scheme are set out in note 24 to the financial statements.

Reserves

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

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale of listed securities

Other than in connection with the Company's initial public offering and the listing of the Company's shares on the Stock Exchange on 18 December 2000, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

Report of the Directors

Distributable reserves

At 31 December 2000, the Company's reserves available for distribution calculated in accordance with the Companies Law (2000 Revision) of the Cayman Islands amounted to HK\$104,215,000. This includes the Company's share premium and capital reserve accounts in the amount of HK\$14,467,000 and HK\$89,247,000, respectively, at 31 December 2000, which 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 they fall due in the ordinary course of business.

Major customers and suppliers

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of turnover attributable to the Group's five largest customers represented 47% of the Group's total turnover. The amount of sales to the Group's largest customer represented 15% of the Group's total turnover.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 73% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 34% of the Group's total purchases.

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

Directors

The directors of the Company since 25 September 2000 and at the date of this report were as follows:

Executive directors:

Mr. Lau Jin Wei, Jim	(appointed on 25 September 2000)
Mr. Choi Woon Man	(appointed on 25 September 2000)
Mr. Hui Man, Herman	(appointed on 20 October 2000)
Mr. Li Kwong Mo, Peter	(appointed on 20 October 2000)
Ms. Wong Wai Kwan, Connie	(appointed on 20 October 2000)

Non-executive director:

Professor Ouyang Fan	(appointed on 20 October 2000)
----------------------	--------------------------------

Independent non-executive directors:

Mr. Ou Ying Ji	(appointed on 20 October 2000)
Mr. Yip Wai Leung, Jerry	(appointed on 20 October 2000)

In accordance with the articles of association of the Company, Mr. Li Kwong Mo, Peter and Ms. Wong Wai Kwan, Connie will retire by rotation and, being eligible, offers themselves for re-election at the forthcoming Annual General Meeting.

The directors of the Company, including the non-executive directors, are subject to retirement by rotation and re-election at the Annual General Meetings of the Company in accordance with the provisions of the Company's articles of association. The independent non-executive directors are not appointed for specific terms, but are subject to retirement by rotation in accordance with the Company's articles of association.

Report of the Directors

Directors' remuneration

Details of the directors' remuneration of the Company are set out in note 8 to the financial statements.

Five highest paid employees

Details of the five highest paid employees of the Group are set out in note 8 to the financial statements.

Directors' service contracts

Each of the executive directors has entered into a service contract with the Company for a term of two years commencing from 1 January 2001, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Save as disclosed above, no director 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 contracts

Other than in connection with the Reorganisation in preparation for the Company's initial public offering and those transactions disclosed in note 5 to the financial statements, no director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

Directors' interests in share capital

At 31 December 2000, the interests of the directors and chief executives of the Company in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Ordinary shares of the Company

Director	Number of ordinary shares of HK\$0.10 each in the Company held and nature of interest	
	Family	Corporate
Mr. Lau Jin Wei, Jim (Note 1)	66,000,000	-
Mr. Choi Woon Man (Note 2)	-	85,000,000
	<u>66,000,000</u>	<u>85,000,000</u>

Note 1: The 66,000,000 shares are owned by Motivated Workforce Consultants Limited ("MWC"), a company incorporated in the British Virgin Islands. The entire share capital of MWC is owned by Mr. Lau Ru Dong, who is the father of Mr. Lau Jin Wei, Jim.

Note 2: The 85,000,000 shares are owned by Inviting Finance Limited ("IFL"), a company incorporated in the British Virgin Islands. The entire share capital of IFL is owned by Mr. Choi Woon Man.

In addition to the above, certain directors have 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, as at 31 December 2000, none of the directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

Report of the Directors

Directors' rights to acquire shares

Pursuant to the terms of a share option scheme adopted by the Company on 28 November 2000 (the "Option Scheme"), the board of directors may, at its discretion, invite full-time employees and directors of the Company or any of its subsidiaries to take up options to subscribe for shares in the Company. Further details of the Option Scheme are set out in note 24 to the financial statements. The Option Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 18 December 2000. Details of share options granted after the balance sheet date under the Option Scheme are set out in note 24 to the financial statements.

Apart from the foregoing, and other than in connection with the Reorganisation in preparation for the Company's initial public offering, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

At 31 December 2000, 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	Percentage of holding
Motivated Workforce Consultants Limited	66,000,000	26.4%
Inviting Finance Limited	85,000,000	34.0%

Save as disclosed above, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Report of the Directors

Compliance with the Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Listing Rules”), since the date of the listing of the Company’s shares, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the articles of association of the Company.

Audit committee

The Company established an audit committee in accordance with Appendix 14 of the Listing Rules on 28 October 2000. The Committee comprises two independent non-executive directors, Mr. Ou Ying Ji and Mr. Yip Wai Leung, Jerry. The principal duties of the audit committee include the review and supervision of the Group’s financial reporting process and internal controls.

Report of the Directors

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

Lau Jin Wei, Jim

Chairman

Hong Kong

25 April 2001