

The Directors have pleasure in presenting their annual report and the audited financial statements of the Company and of the Group for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the provision of financial services, including stockbroking, futures and options broking, securities margin financing services and the operation of distribution platforms for online advertising. Particulars of the principal subsidiaries of the Company are set out in note 15 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by business segments and geographical area for the year ended 31 March 2002 is set out in notes 4 and 5 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 28 of the Annual Report.

The Directors do not recommend the payment of a final dividend.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years ended 31 March 2002 is set out on page 60 of the Annual Report.

FIXED ASSETS

Movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2002, the reserves of the Company available for distribution to shareholders were approximately HK\$27,953,000, being the contributed surplus of approximately HK\$89,627,000 less the accumulated losses of approximately HK\$61,674,000.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were as follows:

Executive Directors:

Mr. Lam Kwok Hing (*Chairman*)

Mr. Nam Kwok Lun (*Deputy Chairman and Managing Director*)

Independent Non-executive Directors:

Mr. Ng Chi Kin David

Mr. Chen Wei-Ming Eric

In accordance with the Company's Bye-laws, Messrs. Ng Chi Kin David and Chen Wei-Ming Eric retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS, SENIOR MANAGEMENT, INVESTMENT BANKING AND TECHNOLOGIES DEVELOPMENT GROUP BIOGRAPHIES

Biographical details of the Directors of the Company, the senior management, investment banking and technologies development group of the Group are set out on pages 12 to 15 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a "three-year" term commencing from 1 September 2000 which is not determinable within one year without payment of compensation. These service contracts shall continue thereafter unless and until terminated by either party with not less than three months' prior written notice.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service agreements with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

1. Shares

At 31 March 2002, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which were required to be notified to the Company and the SEHK pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which were required pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities of the SEHK (the "Listing Rules"), to be notified to the Company and the SEHK were as follows:

Name	Type of interest	Total number of Shares
Lam Kwok Hing (<i>Note</i>)	Corporate	290,026,000
Nam Kwok Lun (<i>Note</i>)	Other	290,026,000

Note: The shares are registered in the name of and beneficially owned by J&A Investment Limited ("J&A"). The entire issued share capital of J&A is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

Save as disclosed above, as at 31 March 2002, 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 SDI Ordinance, and none of the Directors, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

2. Share Option Scheme

Share option scheme adopted on 16 August 2000

Pursuant to the Company's share option scheme adopted by the written resolution of the sole shareholder of the Company dated 16 August 2000 (the "Option Scheme"), the Board may, at its discretion, invite any employee including any Executive Director of any company in the Group, to take up options to subscribe for shares in the Company. The purpose of the Option Scheme is to provide incentives to the participants. The Option Scheme will expire on 15 August 2010.

The subscription price for shares under the Option Scheme will be a price determined by the Board but will not be less than 80% of the average of the closing prices of the Company's shares on the SEHK on the five trading days immediately preceding the date of offer of the option granted to a grantee or the nominal value of the share, whichever is the higher.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS (Continued)**2. Share Option Scheme** (Continued)

There is no minimum period for which an option must be held before it became exercisable. Options granted are exercisable at any time during the exercise period determined by the Board but in any case such exercise period shall not exceed three years commencing on the six months after the date of the option is accepted and expiring in the last day of such period or 15 August 2010, whichever is earlier.

The maximum number of shares in respect of which options may be granted under the Option Scheme shall not exceed 10% of the issued share capital of the Company in issue from time to time and should be of maximum of 46,000,000 shares of the Company as at the end of the year under review. The maximum number of shares in respect of which options may be granted to any one Executive Director or employee, when aggregated with the total number of shares already issued and issuable under any option granted to the same person under the Option Scheme, must not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Option Scheme.

The acceptance of an option, if accepted, must be made within 28 days from the date of offer with a non-refundable payment of HK\$1.00 from the grantee to the Company.

At 31 March 2002, the total number of shares available for issue under the Option Scheme was 25,000,000 representing 5.43% of the shares of the Company in issue at that date.

The following table discloses movement in the number of the Company's share options granted under the Option Scheme during the year.

Name of director	Exercise price per share		Exercisable period	Outstanding at 1 April 2001	Number of share options		
	(adjusted after bonus issue)	Date of grant			Granted during the year	Adjustment due to bonus issue	Outstanding at 31 March 2002
	HK\$ (Note i)						
Lam Kwok Hing	1.675	4 June 2001	7 June 2001 - 6 June 2004	—	5,250,000	5,250,000	10,500,000
Nam Kwok Lun	1.675	4 June 2001	7 June 2001 - 6 June 2004	—	5,250,000	5,250,000	10,500,000
				—	10,500,000	10,500,000	21,000,000

Notes:

- (i) The initial exercise price was HK\$3.35. On 14 September 2001, the exercise price was adjusted to HK\$1.675 due to the bonus issue.
- (ii) The closing price of the share immediately before the date of grant was HK\$4.18.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS *(Continued)***2. Share Option Scheme** *(Continued)**Notes: (Continued)*

(iii) The fair value of the options granted during the year totalled approximately HK\$18,819,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

- (a) an expected volatility of 44%;
- (b) no annual dividends; and
- (c) the estimated expected life of the options granted during the period is three years. The corresponding three-year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 4.81%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price.

- (iv) Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors, the existing model does not necessarily provide a reliable singly measure of the fair value of the share options.
- (v) No accounting treatment has been adopted in the financial statements in respect of the value of options subsisting during the year.
- (vi) There was no option granted to employees during the year.

3. Share option agreement between the Company and Chestrich Investments Limited ("Chestrich")

Pursuant to the share option agreement entered into between the Company and Chestrich dated 29 June 2001 (the "Option Agreement"), the Company granted to Chestrich an option to subscribe for 22,000,000 shares of HK\$0.10 each of the Company at a price of HK\$3.80 per share at any time within two years from 29 June 2001. Under the Option Agreement, Chestrich may subscribe for any number of shares and the subscription rights under the option will remain valid during the exercise period, unless a total of 22,000,000 shares have been fully subscribed by Chestrich. In addition, Chestrich has undertaken to the Company not to transfer, encumber or deal with in any way of the option during the exercise period except with the prior written consent of the Company.

The option was granted to Chestrich as consideration for the consultancy services rendered to the Group. The term of the consultancy agreement between the Company and Chestrich is for two years from 29 June 2001.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS (Continued)**3. Share option agreement between the Company and Chestrich Investments Limited ("Chestrich")** (Continued)

The following table discloses the movement in the number of the Company's share options granted to Chestrich during the year.

Exercise price per share (adjusted after bonus issue)	Date of grant	Exercisable period	Outstanding at 1 April 2001	Number of share options		
				Granted during the year	Adjustment due to bonus issue	Outstanding at 31 March 2002
HK\$ (Note ii)						
1.90	29 June 2001	29 June 2001 - 28 June 2003	—	22,000,000	22,000,000	44,000,000

Notes:

- (i) Details of the options granted to Chestrich are set out in the circular issued by the Company dated 20 July 2001.
- (ii) The initial exercise price was HK\$3.80. On 14 September 2001, the exercise price was adjusted to HK\$1.90 due to the bonus issue.
- (iii) The closing price of the share immediately before the date of grant was HK\$4.375.
- (iv) The fair value of the options granted during the year totalled approximately HK\$32,294,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:
 - (a) an expected volatility of 44%;
 - (b) no annual dividends; and
 - (c) the estimated expected life of the options granted during the period is two years. The corresponding two-year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 4.28%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price.

- (v) Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors, the existing model does not necessarily provide a reliable singly measure of the fair value of the share options.
- (vi) The fair value of the option granted to Chestrich is charged to the income statement over the term of the consultancy agreement between the Company and Chestrich.

Save as disclosed above, as at 31 March 2002, none of the Directors or chief executives, nor their associated had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such right during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the Option Scheme as described in the section headed "Share Option Schemes" above, at no time during the year was the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company 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 and none of the Directors, their spouses or children under the age of 18, had any right to subscribe for the shares of the Company or had exercised any such rights during the year.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

- (i) On 30 October 2001, Karl Thomson (B.V.I.) Limited, a wholly-owned subsidiary of the Company, made an advance of HK\$4,680,000 to KTG Trade Limited, a 81% owned subsidiary of the Company. The remaining shareholder of KTG Trade Limited is an independent third party. The purpose of the advance is to finance the operation of KTG Trade Limited. The advance is unsecured, interest bearing and has no fixed repayment term. The advance had not yet been settled at 31 March 2002.
- (ii) During the year, Karl-Thomson Securities Company Limited, a wholly-owned subsidiary of the Company, paid the expenses on behalf of KTG Trade Limited, a 81% owned subsidiary of the Company from time to time. The maximum amount of the advance during the year was around HK\$1,054,000. The advance is unsecured, interest bearing and has no fixed repayment term. The advance had been settled before 31 March 2002.
- (iii) Pursuant to the shareholders' agreement entered into between Karl Thomson (B.V.I.) Limited and GL Trade SA, Karl Thomson (B.V.I.) Limited received US\$3,600,000 (equivalent to HK\$28,080,000) from KTG Trade Limited in respect of the Group's presentation of its client list to KTG Trade Limited of the Group. Details of these transactions were set out in the press announcement published by the Company dated 3 July 2001 and the circular issued by the Company dated 20 July 2001.
- (iv) Pursuant to the intellectual property agreement entered into between Karl Thomson (B.V.I.) Limited and GL Trade SA, KTG Trade Limited paid US\$1,000,000 (equivalent to HK\$7,800,000) to GL Multimedia, a wholly owned subsidiary of GL Trade SA, for an one-off licence fee on 29 June 2001. The licence fee is granting to KTG Trade Limited of a non-transferable, non-exclusive licence to use the Webtrade Products, the computer online trading solutions, for a period of seven years. Details of these transactions were set out in the press announcement published by the Company dated 3 July 2001 and the circular issued by the Company dated 20 July 2001.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS*(Continued)*

- (v) On 1 October 2001, Karl-Thomson Securities Company Limited, a wholly-owned subsidiary of the Company, made an advance of HK\$2,000 to LuckySurfAsia.com Limited, a 57.14% owned subsidiary of the Company. The other shareholders of LuckySurfAsia.com Limited are not connected persons of the Company other than by virtue of its holding in that company. The purpose of the advance is to finance the operation of LuckySurfAsia.com Limited. The advance is unsecured, interest bearing and has no fixed repayment term. The advance had not yet settled at 31 March 2002.
- (vi) During the year, the Group received commission income from securities dealings of approximately HK\$73,000, HK\$76,000 and HK\$205,000 from the Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun and their associates respectively.
- (vii) During the year, the Group received interest income from securities margin financing of approximately HK\$26,000, HK\$14,000 and HK\$7,000 from the Directors Messrs, Lam Kwok Hing and Nam Kwok Lun and their associates respectively.

Save as disclosed in above, there were no transactions which needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and no contract of significance, to which the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company 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.

The Independent Non-executive Directors of the Company have reviewed the connected transactions as set out in (vi) to (vii) above and confirmed that:

- (a) the transactions have been carried out in the ordinary and usual course of business of the Group;
- (b) the transactions have been entered into on normal commercial terms and on arm's length basis, and in accordance with the terms of the agreements governing such transactions or on terms no less favourable than those available to/from independent third parties;
- (c) the transactions have been entered into on terms that are fair and reasonable in so far as the independent shareholders of the Company are concerned;
- (d) the aggregate value of such transactions entered into during the year did not exceed the cap of HK\$3,000,000 as set out in the Company's prospectus dated 23 August 2000.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following shareholder was interested in 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares	Percentage of shareholding
J&A (<i>Note</i>)	290,026,000	63.05%

Note: J&A is a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

Save as disclosed above, at 31 March 2002, there is no person known to any Director or chief executive of the Company, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any member of the Company.

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.

RETIREMENT BENEFITS SCHEME

The Group has operated a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme") after the implementation of the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The contributions are charged to the income statement as incurred.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2002, less than 30% of the Group's sales were attributable to the Group's five largest customers.

The Group had no major supplier due to the nature of principal activities of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 March 2002, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

AUDIT COMMITTEE

To comply with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules, the Company sets up an audit committee for the purpose of reviewing and providing supervision of the financial reporting process and internal control system of the Group. The audit committee comprises two Independent Non-executive Directors of the Company. During the year, the audit committee has met twice for the purpose of reviewing the Group’s interim and final results.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2002 with the Code as set out in Appendix 14 of the Listing Rules, except that the Independent Non-executive Directors were not appointed for a specific term 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 Company’s Bye-laws.

POST BALANCE SHEET EVENT

Particulars of a significant post balance sheet event of the Group are set out in note 33 to the financial statements.

AUDITORS

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

By Order of the Board

LAM KWOK HING

Chairman

Hong Kong, 22 July 2002