

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2002.

The financial statements of the Company for the period from 26th October, 2001 (date of incorporation) to 31st March, 2002 are set out on pages 17 to 19 of the annual report.

REORGANISATION AND LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

Pursuant to a group reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the group (the "Group") formed after the completion of the group reorganisation on 25th April, 2002 and the shares of the Company have been listed on the Stock Exchange since 15th May, 2002.

Details of the group reorganisation are set out on page 26 of the annual report. Proforma financial statements of the Group, based on the group structure following the group reorganisation, are set out on pages 22 to 47 of the annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. It did not trade for the period from 26th October, 2001 (date of incorporation) to 31st March, 2002.

RESULTS AND APPROPRIATIONS

The Company did not trade nor derive any income in the period between its date of incorporation on 26th October, 2001 and 31st March, 2002, accordingly, no dividend was proposed.

SHARE CAPITAL

Details of movements during the period in the share capital of the Company are set out in note 6 to the financial statements.

DIRECTORS

The directors of the Company since incorporation and up to the date of this report were:

Executive directors:

Mr. Leung Ngai Man (appointed on 8th November, 2001)

Mr. Ng Ping Man (appointed on 8th November, 2001)

Ms. Lin Wei Fen (appointed on 19th April, 2002)

Mr. Yeung Kit (appointed on 25th July, 2002)

Independent non-executive directors:

Mr. Chan Sing Fai (appointed on 19th April, 2002)

Mr. Lau Kam Wah, Andrew (appointed on 19th April, 2002)

In accordance with the provisions of the Company's Articles of Association, Mr. Ng Ping Man and Mr. Lau Kam Wah, Andrew shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Article of Association.

Each of the executive directors, except Mr. Yeung Kit, has entered into a service contract with the Company for an initial term of two years commencing 1st April, 2002, which will continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of the companies which became its subsidiaries on 25th April, 2002 which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

The Company became a listed company on 15th May, 2002. The interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (SDI Ordinance) at that date, were as follows:

Name of director	Type of interest	Number of shares held
Mr. Leung Ngai Man ("Mr. Leung")	Corporate	600,000,000

Note: The above shares are held by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Leung.

Other than as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors or the chief executives, nor their associates, had an interest in any securities of the Company or any of its associated corporations.

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25th April, 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14th May, 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's

daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of the shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

No options has been granted since the adoption of the Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of the companies which became the Company's subsidiaries on 25th April, 2002, 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' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 33 to the proforma financial statements, no contract of significance to which the Company, its holding company or any of the companies which became its subsidiaries on 25th April, 2002 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

The Company became a listed company on 15th May, 2002. The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed as of that date that, other than the interests disclosed under the heading "Directors' interests in shares", the Company had not been notified of any interests representing 10% or more in the share capital of the Company.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 7 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2002, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 64% of the Group's total purchases and purchases attributable to the Group's largest supplier were approximately 16% of the total purchases.

CORPORATE GOVERNANCE

The Company has complied in the period between the listing date and the date of this report, with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

The Company's audit committee was formed on 25th April, 2002, comprising the independent non-executive directors at that time, Mr. Chan Sing Fai and Mr. Lau Kam Wah, Andrew.

PRE-EMPTIVE RIGHTS

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

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation on 26th October, 2001. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Leung Ngai Man
Director

Hong Kong, 25th July, 2002