



Report of the Directors

The directors submit their report together with the audited accounts for the year ended 30th April 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the trading of mobile phones and spare parts. The Group discontinued the manufacturing and trading of office furniture and building materials, together with the supply of kitchen cabinets, during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 30.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 33 and in the note 22 to the accounts, respectively.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

BANK LOANS AND OTHER BORROWINGS

Particulars of the bank loans and other borrowings of the Group as at 30th April 2003 are set out in notes 23 and 24 to the accounts.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 21(a) to the accounts.

Report of the Directors *(continued)*

DISTRIBUTABLE RESERVES

As at 30th April 2003, the distributable reserves of the Company available for distribution as dividend amounted to HK\$410,481,000, representing the share premium of HK\$621,274,000 net of the accumulated losses of HK\$210,793,000. Under the Companies Act 1981 of Bermuda (as amended), the share premium shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than aggregate of its liabilities and its issued capital and share premium accounts.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 70.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

SHARE OPTION SCHEMES

During the year, no share option was granted to executive directors or employees under the share option schemes adopted on 4th November 1992 and 25th February 1999 (the "Old Option Schemes"). Pursuant to the resolutions of the shareholders of the Company dated 13th March 2002, the Old Option Schemes were terminated and a new share option scheme (the "New Option Scheme") was adopted.

Upon the termination of the Old Option Schemes, no further options can be granted thereunder but in all other aspects, the provisions of these schemes should remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Report of the Directors *(continued)*

SHARE OPTION SCHEMES *(continued)*

Details of the New Option Scheme are as follows:

(a) Purpose of the scheme

The purpose of the New Option Scheme is to enable the Company to grant options to participants as incentive or rewards for the contributions to the Group.

(b) Participants of the New Option Scheme

The Board may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares, subject to such conditions as the Board may think fit.

- any employee or proposed employee;
- any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity;
- any supplier of goods or services to any member of the Group or any invested entity;
- any customer of the Group or any invested entity;
- any person or entity that provides research, development or other technological support to the Group or any invested entity;
- any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; and
- any company wholly owned by one or more persons belonging to any of the above classes of participants.

The eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time on the basis of their contribution to the development and growth of the Group.

(c) Maximum number of shares available for issue under the New Option Scheme

The maximum aggregate number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

Report of the Directors *(continued)*

SHARE OPTION SCHEMES *(continued)*

(c) Maximum number of shares available for issue under the New Option Scheme
(continued)

The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of approving of the New Option Scheme. The Company may however seek approval by the shareholders in general meeting for refreshing the 10% Limit in accordance with the note to Rule 13.03(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(d) Maximum entitlement of each participant

Unless approved by shareholders in the manner set out in the note to Rule 17.03(4) of the Listing Rules, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

(e) Exercisable period of options

An option may be exercised in accordance with the terms of the New Option Scheme at any time during the option period subject to the provisions for early termination thereof.

(f) Payment on acceptance of option offer

Pursuant to the New Option Scheme, a nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

(g) Minimum period before an option can be exercised

The Board may in its absolute discretion impose a minimum period for which an option has to be held before it is exercised.

(h) Basis of determining the subscription price

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price must be the highest of:

- (i) the closing price of shares as stated in the Stock Exchange of Hong Kong Limited (the "Stock Exchange")'s daily quotations sheet on the date of grant, which must be a business day;

Report of the Directors *(continued)*

SHARE OPTION SCHEMES *(continued)*

(h) Basis of determining the subscription price *(continued)*

- (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

Without prejudice to the generality of the forgoing, the directors may grant options in respect of which the subscription price is fixed at different prices for certain periods during the option period.

(i) Remaining life of the New Option Scheme

The New Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption.

No share options were granted under the New Option Scheme since its adoption on 13th March 2002 up to the date of this report.

The following share options were outstanding under the Old Option Schemes at 1st May 2002 and 30th April 2003:

	Date of grant	Exercise price per share <i>(note (a))</i>	Options outstanding at 1st May 2002 <i>(note (a))</i>	Granted during the year	Exercised during the year	Lapsed during the year <i>(note (b))</i>	Options outstanding at 30th April 2003 <i>(note (a))</i>	Exercisable period
Directors								
Kok Kin Hok	31st August 2001	HK\$5.00	600,000	-	-	-	600,000	1st September 2001 to 31st August 2005
Lam Bing Sum	31st August 2001	HK\$5.00	400,000	-	-	-	400,000	1st September 2001 to 31st August 2005
Lam Ching Wah, Clement <i>(note (b))</i>	3rd January 2000	HK\$5.28	642,000	-	-	(642,000)	-	3rd January 2000 to 2nd January 2004
	3rd July 1997	HK\$13.10	1,008,000	-	-	(1,008,000)	-	3rd July 1997 to 2nd July 2007

Report of the Directors *(continued)*

SHARE OPTION SCHEMES *(continued)*

	Date of grant	Exercise price per share <i>(note (a))</i>	Options	Granted during the year	Exercised during the year	Lapsed during the year <i>(note (b))</i>	Options	Exercisable period
			outstanding at 1st May 2002 <i>(note (a))</i>				outstanding at 30th April 2003 <i>(note (a))</i>	
Employees	31st August 2001	HK\$5.00	1,400,000	-	-	-	1,400,000	1st September 2001 to 31st August 2005
	3rd January 2000	HK\$5.28	720,000	-	-	-	720,000	3rd January 2000 to 2nd January 2004
	3rd July 1997	HK\$13.10	18,720	-	-	-	18,720	3rd July 1997 to 2nd July 2007
	13th July 1996	HK\$15.82	5,760	-	-	-	5,760	13th July 1996 to 12th July 2006

Notes:

- (a) The exercise prices and the number of share options have been adjusted for the capital restructuring as mentioned in note 21(a) to the accounts (the "Capital Restructuring").
- (b) Mr. Lam Ching Wah, Clement resigned as a director of the Company with effect from 14th November 2002 and has undertaken that he would not exercise his share options.

The financial impact of options granted is not recorded in the Company's or the Group's accounts until such time as the options are exercised. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the options granted during the year to the directors and employees because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful and would be misleading.



Report of the Directors *(continued)*

DIRECTORS

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

Executive directors:

Kok Kin Hok
Lam Bing Sum
Lian Song Qing
Lam Ching Wah, Clement (resigned on 14th November 2002)

Non-executive directors:

Hou Ziqiang

Independent non-executive directors:

Dr. Yang Shiqin
Dr. Li Jianhua
Wang Shunian

In accordance with the Company's Bye-laws, Mr. Kok Kin Hok, Mr. Lam Bing Sum, Mr. Lian Song Qing, Mr. Hou Ziqiang, Dr. Yang Shiqin, Dr. Li Jianhua and Mr. Wang Shunian retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the accounts, no contracts of significance in relation to the Group's business to which the Company or 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 16 to 17.

Report of the Directors *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN EQUITY OR DEBT SECURITIES

As at 30th April 2003 the interests of the directors and chief executive in the shares, options and convertible notes of the Company and its associated corporation (within the meaning of the Securities and Future Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

(a) Shares of the Company

Name of directors	Number of shares	
	Personal interest	Corporate interest (Note)
Kok Kin Hok (Mr. Kok)	–	33,981,840
Lian Song Qing	400,000	–

Note: 33,981,840 ordinary shares are held by Anglo Express Group Limited ("AEG"), a company wholly owned by Mr. Kok.

(b) Share options

Details of the outstanding share options granted by the Company to the directors of the Company as at 30th April 2003 were set out under the heading of "Share option schemes" above.

(c) Convertible notes

As at 30th April 2003, Mr. Kok is the registered holder of the convertible notes of the Company with the principal amounts of approximately HK\$50,000,000 and HK\$22,247,000, issued on 28th March 2002 and 8th November 2002 respectively with maturity of 2 years from the respective issue dates. The notes can be converted into ordinary issued shares of the Company at a conversion price of HK\$5.00 per share, adjusted in light of the Capital Restructuring.

(d) Shares of the Company's associated corporation

As at 30th April 2003, Mr. Lam Bing Sum holds a direct 6.8% equity interest in the Group's associated company.

Report of the Directors *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN EQUITY OR DEBT SECURITIES *(continued)*

Save as disclosed above, none of the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, options or convertible notes of the Company and its associated corporation (within the meaning of the SFO); and at no time during the year was the Company or its subsidiaries a party to any arrangement 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th April 2003, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital (within the meaning of the SFO). Details of the interests are also disclosed above under directors' and chief executive's interest in equity or debt securities.

Name of substantial shareholder	Number of ordinary shares
AEGL	33,981,840

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases:	
the largest supplier	71%
five largest suppliers combined	92%
Sales:	
the largest customer	55%
five largest customers combined	77%

Report of the Directors *(continued)*

MAJOR CUSTOMERS AND SUPPLIERS *(continued)*

As at 7th November 2002, Mr. Kok and Mr. Lam Bing Sum held an indirect 33.98% and a direct 6.8% equity interest in the share capital of the Group's second largest supplier respectively. Since 8th November 2002, this supplier became an associated company of the Group in which Mr. Lam Bing Sum still held a direct 6.8% equity interest as at 30th April 2003.

Mr. Hou Ziqiang and Mr. Kok are the chairman and the managing director of the Group's largest customer respectively. They have significant control of the day to day operations of that customer.

Save as disclosed above, none of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers and customers noted above.

CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered by the Group during the year ended 30th April 2003, which do not constitute connected transactions under the Listing Rules, are disclosed in note 28 (c), (d) and (e) to the accounts.
- (b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed as follows:
 - (i) the Company as the vendor entered into a share sale and purchase agreement on 19th August 2002 with Mr. Kok as the purchaser in respect of the disposal of Lamex China Limited at a consideration of HK\$2,000,000 and a related loan from the Company to Lamex China Limited in a principal sum of HK\$123,058,000 of which Mr. Kok was the guarantor;
 - (ii) the Company as the purchaser entered into a share sale and purchase agreement on 18th September 2002 and a supplemental agreement on 20th September 2002 with Mr. Kok as the vendor in respect of the acquisition of the entire share capital of Global Direction Limited at a consideration of HK\$88,000,000 which has been satisfied by the Company's issue of a convertible note to Mr. Kok as disclosed in note 24(a) to the accounts; and
 - (iii) On 29th January 2003, the Company proposed to raise approximately HK\$51 million to HK\$53 million before expenses by way of an offer (the "Open Offer") of not less than 509,556,015 shares ("Offer Shares") at the subscription price of HK\$0.10 per Offer Share on the basis of an assumed allotment of five shares for every adjusted share. The Company entered into an underwriting agreement with All About Investments Limited, a company beneficially owned by Mr. Kok in respect of the underwriting of the Offer Shares on 29th January 2003.



Report of the Directors *(continued)*

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that non-executive directors of the Company are not appointed for specific terms. According to the Company's Bye-laws, non-executive directors are subject to retirement by rotation and re-election at the Annual General Meeting of the Company. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The Company has established an audit committee since December 1998 ("the Committee") with written terms of reference. The Committee's principal duties are the review and supervision of the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors. Two meetings were held during the current financial year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Kok Kin Hok

Chairman

Hong Kong, 26th August 2003