

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31st December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are set out in note 13 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The consolidated results for the year ended 31st December 2001 are set out on page 19.

The Directors do not recommend the payment of a dividend in respect of the year ended 31st December 2001.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

SHARE CAPITAL AND RESERVES

Details of the movements in the share capital and options of the Company are set out in note 23 to the accounts. Details of movements in the reserves of the Group during the year are set out on page 50.

DIRECTORS

The Directors of the Company during the year and at the date of this report are:

Tong Nai Kan

Leung Wai Kwan

Chow Sim Chu, Shirley

Ng Ge Bun *

Tang Tin Sek *

Ko Ming Tung, Edward *

Lam Cheung Shing, Richard (resigned on 31st August 2001)

Lau Park To, Patrick (retired on 28th May 2001)

* Independent non-executive Directors

In accordance with Articles 104 and 105 of the Company's Articles of Association, Mr Ko Ming Tung, Edward retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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

The current Directors of the Company do not have any service contracts with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, the Group paid rental expense to Lap Ho Properties Limited (“Lap Ho”) on lease of a property amounting to HK\$1,777,000 (2000: HK\$1,777,000). Pursuant to a sale and purchase agreement dated 5th October 2001, the Group acquired this property from Lap Ho at a consideration of HK\$76,000,000, which was arrived at with reference to open market value of similar properties in the same district and was negotiated on an arm’s length basis based on normal commercial terms. The purchase will be completed in April 2002. Lap Ho is a company beneficially owned by Mr Tong Nai Kan.

Save as disclosed above, there are no other contracts of significance in relation to the Group’s business to which the Company or any of its subsidiary companies 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 above transactions also constitute connected transaction under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Board of Directors, including the independent non-executive Directors, have reviewed these transactions and, based on the information provided by the Company concluded that such transactions were conducted in the ordinary and usual course of business of the Group and on normal commercial terms that were fair and reasonable as far as the shareholders of the Company were concerned.

DIRECTORS' INTERESTS IN SHARES

As at 31st December 2001, the interests of the Directors and chief executives of the Company in the equity or debt securities of the Company or any of its associated corporations, within the meaning of the Securities (Disclosure of Interest) Ordinance (the “SDI Ordinance”), which require notification to the Company pursuant to Section 28 of the SDI Ordinance, including interests which any such Director is deemed to have taken under Section 31 of, or part I of the Schedule to, the SDI Ordinance, or which are required to be entered in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Director	Nature of interest	Shares
Tong Nai Kan	Corporate	60,000,000

Note: These shares are beneficially owned by and registered in the name of Gold Blue Group Limited, which is 100% beneficially owned by Mr Tong Nai Kan.

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

Under the terms of the Company's share option schemes (the "Schemes") approved by the shareholders on 13th June 1996 and 22nd May 2000, the Directors of the Company may, at their discretion, offer any employees (including any Directors) of the Company or of any of its subsidiary companies options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Schemes. At 31st December 2001, the Directors of the Company had the following interests in options granted under the Schemes:

Name	Date granted	Period during which options are exercisable	Consideration paid for the options granted HK\$	Price per share to be paid on exercise of options HK\$	Number of options granted but not yet exercised
Tong Nai Kan	11th July 2000	11th October 2000 to 10th October 2002	10.00	1.00	5,000,000
Leung Wai Kwan	11th July 2000	11th October 2000 to 10th October 2002	10.00	1.00	1,676,000
Chow Sim Chu, Shirley	11th July 2000	11th October 2000 to 10th October 2002	10.00	1.00	1,676,000
					8,352,000

None of the options have been exercised and these options remained outstanding as at 31st December 2001.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors of the Company or their associates 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 31st December 2001 and as far as the Directors are aware, the register of substantial shareholders of the Company maintained under Section 16(1) of the SDI Ordinance shows that the following shareholders had an interest of 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Number of shares	Percentage
Gold Blue Group Limited ("Gold Blue")	60,000,000	12.23
Tong Nai Kan (<i>Note</i>)	60,000,000	12.23

Note: Mr Tong Nai Kan is the beneficial owner of the entire issued share capital of Gold Blue. In accordance with the SDI Ordinance, the interests of Gold Blue are deemed to be, and have therefore been included in the interests of Mr Tong Nai Kan.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr Tong Nai Kan, Chairman and Managing Director of the Company, who owns several investment properties in Hong Kong, may compete with the Company's business. Having considered the location and nature of the properties, the portfolio of the properties owned by Mr Tong is of a different nature and category. In addition, given that the Company's new direction and strategy of diversifying into technology-related business area, which are defined by the Board as a whole, there is no conflict of interest between Mr Tong's participation in his personal investment and his role as a Director of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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 aggregate turnover during the year attributable to the Group's five largest customers was 70% of the Group's total turnover, of which 35% was made to the largest customer.

The aggregate purchase of revenue items during the year attributable to the Group's five largest suppliers was 59% of the Group's total purchases of revenue and services, of which 38% was made from the largest supplier.

None of the Directors, their associates or any shareholder who to the knowledge of the Directors owns more than 5% of the Company's share capital has an interest in the suppliers or customers disclosed above.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

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 throughout the accounting period covered by this annual report.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee (the "Committee") were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the audit of the Group. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee currently comprises of three independent non-executive Directors, namely Mr Ng Ge Bun, Mr Tang Tin Sek and Mr Ko Ming Tung, Edward.

AUDITORS

The accounts for 1999 were audited by Deloitte Touche Tohmatsu and that for 2000 and 2001 were audited by PricewaterhouseCoopers. PricewaterhouseCoopers retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Tong Nai Kan

Chairman and Managing Director

Hong Kong, 17th April 2002