

REPORT OF THE DIRECTORS

The directors of Kim Eng Holdings (Hong Kong) Limited (the “Company”) have pleasure in submitting their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading and investment. The principal activities of its subsidiaries are securities and futures broking, provision of margin financing, corporate advisory services, placing and underwriting, as well as nominee and custodian services.

SEGMENTED INFORMATION

An analysis of the Group’s turnover and contribution to operating profit for the year ended 31 March 2001 is as follows:

	Turnover <i>HK\$’000</i>	Contribution to operating profit <i>HK\$’000</i>
By principal activities:		
Commission and brokerage from securities and futures dealing	78,080	27,887
Custodian and handling service fees	536	238
Interest income	33,268	27,391
Net income from securities investment and trading	4,763	3,162
Placement/underwriting/sub-underwriting and financial advisory fees	<u>17,518</u>	<u>8,341</u>
	<u>134,165</u>	67,019
Other revenue		<u>48,651</u>
		<u>115,670</u>
	<i>HK\$’000</i>	%
By geographical locations (Notes (i) & (ii)):		
Hong Kong	116,227	86.6
Singapore and Malaysia	14,441	10.8
Other markets (Note (iii))	<u>3,497</u>	<u>2.6</u>
	<u>134,165</u>	<u>100.0</u>

Notes:

- (i) Turnover by geographical locations is determined on the basis of the location of the markets.
- (ii) Commission and brokerage income included in turnover is net of inter-company commission and brokerage.
- (iii) Other markets include the Philippines, Indonesia, Thailand, China, Australia, the United States, Japan, Taiwan and Korea.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 17 to 47.

An interim dividend of HK 10 cents per share totalling HK\$7,200,000 and a special interim bonus of HK 50 cents per share totalling HK\$36,000,000 were paid on 29 December 2000.

The directors recommend the payment of a final dividend of HK 17 cents per share and cash bonus of HK\$1.10 per share to the shareholders registered in the books of the Company at the close of business on 10 July 2001 payable on 18 July 2001 for the year ended 31 March 2001. This recommendation has been incorporated in the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 9 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates as at 31 March 2001 are set out in notes 10 and 11 to the financial statements respectively.

PROVIDENT FUND SCHEMES

Details of the Company's provident fund schemes are set out in note 27 to the financial statements.

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MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover for the year attributable to the Group's major customers are as follows:

— the largest customer	6%
— five largest customers in aggregate	18%

At no time during the year have the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in the above customers.

The Group is mainly a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

DIRECTORS

The directors of the Company during the year and as at the date of this report were as follows:

Executive directors:

Lee Woo Sau Yin, Gloria
Fok Kwong Hang, Terry
Chan Yick Hung
Ooi Thean Yat, Ronald Anthony
Chan Keng Loke
Lau Kin Yeung, Eddie

Independent non-executive directors:

Mao Yau Fong, Henry
Chiang, Lily

In accordance with article 112 of the Company's Articles of Association, Mr. Fok Kwong Hang, Terry, Mr. Lau Kin Yeung, Eddie and Mrs. Lee Woo Sau Yin, Gloria shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 March 2001, the interests of the directors of the Company and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under section 29 of the SDI Ordinance were as follows:

Name of director	Number of shares held	Nature of interest
Fok Kwong Hang, Terry	13,120,000	Personal
Chan Yick Hung	465,000	Personal
Lau Kin Yeung, Eddie	699,000	Personal

Save as disclosed above, as at 31 March 2001, none of the Company's directors or any of their associates had or was deemed to have interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the Employees' Share Option Scheme of the Company adopted on 29 December 1997, the following share options to subscribe for shares in the Company were granted to a director of the Company:

Name of director	Number of share options outstanding at 31 March 2001 with exercise price of HK\$8 per share
Chan Yick Hung	720,000

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These share options are exercisable during the period from 27 April 1999 to 26 April 2002.

No share options were exercised during the year.

Details of the Employees' Share Option Scheme are set out in note 19 to the financial statements.

Save as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors or any of their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Mrs. Lee Woo Sau Yin, Gloria and Mr. Ooi Thean Yat, Ronald Anthony and Mr. Fok Kwong Hang, Terry held 45,891,770, 85,544,928, and 2,000,000 shares respectively at 31 March 2001 in Kim Eng Holdings Limited ("Kim Eng Singapore"), a company incorporated in Singapore and listed on the Stock Exchange of Singapore. Kim Eng Singapore increased its equity interest in the Company during the year from 49.86% to 54.86%, thereby becoming the Company's ultimate holding company. Together with its subsidiaries and associates, Kim Eng Singapore had significant transactions with the Group during the year ended 31 March 2001. Further details of these transactions are set out in note 28(a) to the financial statements.

Save as disclosed above, there were no contracts of significance to which the Company, its holding company or any of 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.

SUBSTANTIAL SHAREHOLDER

As at 31 March 2001, the only other party, other than the directors of the Company, directly or indirectly, interested in 10% or more of the issued share capital of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance was as follows:

Name	Number of shares
Kim Eng Holdings Limited	39,500,000

Save as disclosed above, no person other than the directors of the Company has any interest in the share capital of the Company which is required to be recorded in the register kept under section 16(1) of the SDI Ordinance as at 31 March 2001.

USE OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERING

Of the net proceeds from the Company's initial public offering of its shares in early 1998, approximately HK\$4 million remained unused at the beginning of the year. During the year, these funds were expensed on the purchase, upgrade and replacement of the Group's trading and back office systems and the related equipment.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2001 other than as an agent for clients of the Company or its subsidiaries.

MANAGEMENT CONTRACTS

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

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31 March 2001 in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Articles of Association.

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 48 of this annual report.

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AUDITORS

The financial statements have been audited by Messrs. Grant Thornton who retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Fok Kwong Hang, Terry

Managing Director

Hong Kong, 13 June 2001