



Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries consist of investment holding, securities dealing and broking, financing business, general import and export trading and property development and investment. There were no significant changes in the nature of the Group's activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and profit/(loss) from operating activities by principal activity and geographical area of operations for the year ended 31 March 2001 is as follows:

	Turnover		Profit/(loss) from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000 (Restated)
By activity:				
General import and export trading	109,935	114,531	5,426	2,167
Securities dealing and broking	17,144	20,232	(3,277)	7,803
Financing business	27,377	11,969	22,558	27,219
Properties holding and other investments	152	181	(332,028)	19,904
	<u>154,608</u>	<u>146,913</u>	<u>(307,321)</u>	<u>57,093</u>
By geographical area:				
People's Republic of China, Hong Kong	76,946	95,225		
Europe	72,639	35,510		
North America	4,116	13,936		
Others	907	2,242		
	<u>154,608</u>	<u>146,913</u>		



RESULTS AND DIVIDENDS

The Group's loss 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 22 to 68.

The directors propose a bonus issue of shares of the Company to the shareholders whose name appear on the register of members on 23 August 2001 on the basis of one share for every three shares held.

The directors do not recommend the payment of any dividend in respect of the year (2000: HK\$4,378,000).

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 13 and 15 to the financial statements, respectively.

PROPERTIES HELD FOR REDEVELOPMENT

Details of the properties held for redevelopment of the Group are set out in note 17 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 18 to the financial statements.

BORROWINGS

Details of the Group's borrowings at the balance sheet date are set out in notes 30 and 31 to the financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the share capital, warrants and share options of the Company, together with the reasons therefor, are set out in note 33 to the financial statements.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements.



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DISTRIBUTABLE RESERVES

At 31 March 2001, the Company's reserves available for cash distribution and distribution in specie were HK\$651,484,000. Under the laws of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive directors:

Kenneth Chi Shing Cheung

Yvonne Han Yi Yeung

Steven Wang Tai Li

Miranda Chi Mei Chan

Henry Bing Kwong Chan *(resigned on 4 May 2000)*

Independent non-executive directors:

David Man San Lim

Jerry Wai Leung Yip

Gareth Yau Sing Tang *(resigned on 15 July 2000)*

Billy Yiu Ming Ho *(resigned on 2 August 2000)*

In accordance with the Company's bye-laws, Steven Wang Tai Li and Miranda Chi Mei Chan retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the directors' remuneration and of the five highest paid employees in the Group are set out in note 8 to the financial statements.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, on 21 April 1999, the Company granted certain options to the following directors which entitle the holders to subscribe ordinary shares of the Company at any time within three years from the date of grant. No share option was exercised by any director during the year.

Details of the share options outstanding at the balance sheet date are as follows:

Name of director	Date of grant	Number of options	Exercise price HK\$
		outstanding at 31 March 2001	
Kenneth Chi Shing Cheung	21 April 1999	4,429,688	1.00
Yvonne Han Yi Yeung	21 April 1999	3,445,312	1.00

Save as set out above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of 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.

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2001, the interests of the directors in the securities of the Company and its associated corporations as recorded in the register required to be kept pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance are as follows:

Share capital

Name of director	Number of ordinary shares of HK\$0.01 each held		
	Personal interests	Corporate interests	Total
Kenneth Chi Shing Cheung	50,761,492	13,818,733 (Note 1)	64,580,225
Yvonne Han Yi Yeung	6,162,318	—	6,162,318
Steven Wang Tai Li	129,083	—	129,083
Miranda Chi Mei Chan	433,537	—	433,537



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DIRECTORS' INTERESTS IN SECURITIES (Continued)

Note 1:

Kenneth Chi Shing Cheung is the sole shareholder of K.Y. Limited, which is the beneficial owner of 13,080,061 shares of the Company. In addition, Kenneth Chi Shing Cheung is deemed to be interested in another 738,672 shares indirectly held by K.Y. Limited through its wholly-owned subsidiary, K.C. (Investment) Limited.

300,000 shares held by K.Y. Limited were charged to C.A. Pacific Finance Limited, which is in liquidation. The principal shareholders cannot ascertain whether the charged shares are still registered in the name of the chargee and subject to their right of redemption.

Warrants, expiring on 31 December 2001

Name of director	Number of warrants held		
	Personal interests	Corporate interests	Total
Kenneth Chi Shing Cheung	10,152,299	2,179,426 (Note 2)	12,331,725
Yvonne Han Yi Yeung	1,232,464	—	1,232,464
Steven Wang Tai Li	25,816	—	25,816
Miranda Chi Mei Chan	86,707	—	86,707

Note 2:

Kenneth Chi Shing Cheung is the sole shareholder of K.Y. Limited which is the beneficial owner of 2,076,011 warrants in the Company. In addition, Kenneth Chi Shing Cheung is deemed to be interested in another 103,415 warrants indirectly held by K.Y. Limited through its wholly-owned subsidiary, K.C. (Investment) Limited.

60,000 warrants held by K.Y. Limited were pledged to C.A. Pacific Finance Limited, which is in liquidation. The principal shareholders cannot ascertain whether the pledged warrants are still registered in the name of the pledgee and subject to their right of redemption.

Save as disclosed above, at 31 March 2001, none of the directors or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the Securities (Disclosure of Interests) Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the schedule to that Ordinance) or which are required, pursuant to Section 29 of the Ordinance, to be entered in the register referred to therein.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a beneficial interest, either direct or indirect, in any material contract to which the Company or any of its subsidiaries was a party during the year.



SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, no person, other than the directors of the Company and the companies controlled by them, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

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

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in note 33 to the financial statements. Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's single largest and five largest customers combined accounted for 13% and 37%, respectively, of the Group's total sales, whereas purchases from the Group's single largest and five largest suppliers combined accounted for 13% and 48%, respectively, of the Group's total purchases.

As far as the directors are aware, neither the directors, their associates nor those shareholders who, to the knowledge of the directors, own more than 5% of the Company's issued share capital, had any interest in the five largest customers and suppliers.

PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension cost charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

CODE OF BEST PRACTICE

Pursuant to Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Company established an audit committee comprising four non-executive directors of the Company on 16 April 1999. A written terms of reference, which set out the authority and duties of the audit committee, was also approved by the directors on 28 April 1999.

In addition, in the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the financial year ended 31 March 2001.



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AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Styland Holdings Limited

Steven Wang Tai Li
Director

Hong Kong, 12 July 2001