

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2001.

Principal Activities

The Company acts as an investment holding company. The principal activities of the Group have not changed during the year and consisted of the retailing of furniture and household goods.

Corporate Activities

In April 2000, Miliway Resources Limited (“Miliway”) subscribed for a total of 310,000,000 shares in the Company and a general offer for all the issued share capital in and outstanding options of the Company was then made by Miliway pursuant to the Hong Kong Code on Takeovers and Mergers (“Takeovers Code”). A placedown of 43,000,000 shares therefrom and a further subscription of 53,000,000 shares in the Company by Miliway were then followed in May 2000 and June 2000 respectively. Miliway became the controlling shareholder of the Company holding 320,000,000 shares in, being 50.90% of, the Company.

In March 2001, CASH acquired a total of 435,132,000 shares in the issued share capital of the Company from Miliway and another substantial shareholder of the Company. A general offer for all the issued share capital in and outstanding options of the Company was then made by CASH pursuant to the Takeovers Code and a further 58,012,099 shares in the issued share capital of Company was acquired by CASH upon the close of the offer period in relation to the general offer followed by a placedown of 35,000,000 shares therefrom in June 2001. CASH is now the single largest shareholder of the Company holding a total of 458,144,099 shares, representing 66.18% of the issued share capital, in the Company.

Results and Dividends

The results of the Group’s for the year ended 31 March 2001 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 50 to 84.

The Directors do not recommend the payment of any dividend for the year.

Segmental Information

The Group’s turnover and profit are almost entirely derived from retailing activities carried out in Hong Kong. Accordingly, no analysis by activity or by geographical areas of operation for the year ended 31 March 2001 is presented.

Five Year Financial Summary

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 March 2001 is set out on pages 85 to 86 of this annual report.

Fixed Assets

Details of movements in the fixed assets of the Group and the Company are set out in note 11 to the financial statements.

Subsidiaries and Associates

Particulars of the Company's major subsidiaries and its associate are set out in notes 12 and 13 to the financial statements.

Borrowings and Interest Capitalized

Details of the borrowings of the Company and of the Group at 31 March 2001 are set out in notes 17 and 18 to the financial statements.

There was no interest capitalized by the Group during the year.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year and subsequent to the balance sheet date are set out in note 22 to the financial statements.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 23 to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the bye-laws of the Company or the Laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Distributable Reserves

As at 31 March 2001, no reserves of the Company was available for distribution to shareholders. Under the Companies Act 1981 of Bermuda, the Company's share premium account with a balance of HK\$117,773,000 as at 31 March 2001 may be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

Raise of Funds

On 5 April 2000 and 9 June 2000, the Company had raised funds of a total sum of HK\$93,800,000 by the issues of 310,000,000 new ordinary shares and 53,000,000 new ordinary shares of HK\$0.10 each in the Company at a subscription prices of HK\$0.20 per share (the market price was HK\$1.67 per share on 23 February 2000, the date on which the terms of the issue were fixed) and HK\$0.60 per share (the market price was HK\$0.95 per share on 26 May 2000, the date of which the terms of the issue were fixed) respectively to Miliway Resources Limited. The funds raised were mainly used for general working capital for the usual and ordinary business of the Group.

Major Customers and Suppliers

The percentages of purchases for the year attributable to the Group's largest suppliers are as follows:

Purchases

- the largest supplier 12%
- five largest suppliers 33%

The Group had no major customers as consumer retailing of furniture and household products was its major activity.

None of 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 an interest in the major suppliers noted above.

Directors

The Directors of the Company during the year and up to the date of this Annual Report were as follows:

Executive Directors

Kwan Pak Hoo Bankee	<i>(Chairman)</i>	(appointed on 11 April 2000)
Lin Chih Cheih Sidney	<i>(Deputy Chairman)</i>	
Li Yuen Cheuk Thomas	<i>(Chief Executive Officer)</i>	(appointed on 3 May 2001)
Law Ping Wah Bernard		(appointed on 11 April 2000 and resigned on 8 May 2000 and re-appointed on 3 May 2001)
Leung Siu Pong James		(appointed on 8 May 2000)
Liu Yuen Tai Gordon		
Khoo Ken Wee		(appointed on 3 May 2001)
Kwok Oi Kuen Joan Elmond		(appointed on 11 April 2000 and resigned on 8 May 2000 and re-appointed on 5 January 2001 and resigned on 3 May 2001)
Hui Yat On		(appointed on 8 May 2000 and resigned on 5 January 2001)
Pong Yiu Ming Stephen		(resigned on 9 June 2000)

Independent Non-executive Directors

Lo Kwok Hung John		(appointed on 3 May 2001)
Lau Po Yee Edith		(appointed on 19 July 2001)
Ko Wai Ming Daniel		(resigned on 19 July 2001)
Lam Pak Gon		(resigned on 3 May 2001)

In accordance with clause 115 of the Company's bye-laws, Li Yuen Cheuk Thomas, Khoo Ken Wee, Law Ping Wah Bernard, Lo Kwok Hung John and Lau Po Yee Edith will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

Directors' Interest in Contracts

None of the Directors had a significant beneficial interest in any material contract to the business of the Company to which the Company or any of its holding company, subsidiaries was a party during the year.

Directors' Remuneration

Details of the aggregate emolument paid to the Directors of the Company are set out in note 6 to the financial statements.

Five Highest Paid Employees

Details of the aggregate emoluments paid to the five highest paid employees of the Group are set out in note 7 to the financial statements.

Retirement Benefits Scheme

Details of the retirement benefits scheme are set out in note 2 to the financial statements.

Directors' Interests in Securities

As at 31 March 2001, the Directors' interests in and rights to subscribe for the ordinary shares of HK\$0.10 each in the Company and shares in its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

1. Interest in shares or debentures

A. The Company

Name	Number of shares beneficially held			Shareholding (%)
	Personal	Family	Other Interest	
Kwan Pak Hoo Bankee	–	–	435,132,000*	69.21
Lin Chih Cheih Sidney	2,500,000	5,000,000	–	1.19
Liu Yuen Tai Gordon	500,000	–	–	0.08

* The shares were held by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of CASH. Mr Kwan is deemed to be interested in all these shares as a result of his interests in CASH through Cash Guardian Limited ("Cash Guardian") and Suffold Resources Limited ("Suffold") as disclosed in the "Substantial shareholders" below.

B. Associated corporation (within the meaning of SDI Ordinance)

(a) CASH

Ordinary shares

Name	Number of shares beneficially held		Shareholding (%)
	Personal	Other Interest	
Kwan Pak Hoo Bankee	-	3,374,579,709*	52.54
Lin Chih Cheih Sidney	-	134,320,667**	2.09
Liu Yuen Tai Gordon	40,000	-	0.00
Kwok Oi Kuen Joan Elmond	4,000,000	-	0.06

* The shares are held as to 2,692,019,826 shares by Cash Guardian and as to 682,559,883 shares by Suffold. Mr Kwan is deemed to be interested in all these shares as a result of his interests in Cash Guardian and Suffold as disclosed in the "Substantial shareholders" below.

** Joyplace Inc held these shares in its capacity as the trustee of a unit trust which is beneficially owned as to 1 unit by Lin Chih Cheih Sidney and as to 18,861,680 units by Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited, the trustee of another discretionary trust to which the spouse and the issue of Mr Lin but not Mr Lin himself are the eligible objects.

Warrants carrying rights to subscribe for shares in CASH at a subscription price of HK\$0.65 each (subject to adjustment) during the period from 20 July 2000 to 31 July 2002 (both days inclusive)

Name	Amount of warrants beneficially held	
	Personal (HK\$)	Other Interest (HK\$)
Kwan Pak Hoo Bankee	-	159,976,285.30*
Kwok Oi Kuen Joan Elmond	260,000	-

* The amount of warrants are held as to HK\$144,876,749.55 by Cash Guardian and as to HK\$15,099,535.75 by Suffold. Mr Kwan is deemed to be interested in all these warrants as a result of his interests in Cash Guardian and Suffold as disclosed in the "Substantial shareholders" below.

(b) COL

Name	Number of shares beneficially held		
	Personal	Other Interest	Shareholding (%)
Kwan Pak Hoo Bankee	-	1,086,619,945*	53.92
Kwok Oi Kuen Joan Elmond	400,000	-	0.02

* The shares are held as to 1,009,264,783 shares by CIGL, as to 47,887,307 shares by Cash Guardian and as to 29,467,855 shares by Suffold. Mr Kwan is deemed to be interested in all these shares as a result of his interests in CIGL through CASH and Suffold and Cash Guardian as disclosed in the "Substantial shareholders" below.

Save as disclosed above, as at 31 March 2001, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations.

2. Rights to acquire shares or debentures of the Company

Pursuant to the share option scheme of the Company adopted on 21 January 1994, the Directors may, at their discretion, invite any employee or executive director of the Group to take up options at a total consideration of HK\$1 to subscribe for ordinary shares in the Company. Further details of the share option scheme are set out in note 22 to the financial statements.

Details of movements in the share options granted to certain Directors and which remained outstanding as at 31 March 2001 were as follows:

Name	Date of option granted	Number of options		Exercise price per share (HK\$)		
		outstanding as at 1 April 2000	Number of options exercised as at 31 March 2001			
Kwan Pak Hoo Bankee	12/6/2000	10,000,000	-	10,000,000	13/6/2000 - 12/6/2002	0.58
Lin Chih Cheih Sidney	12/6/2000	10,000,000	-	10,000,000	13/6/2000 - 12/6/2002	0.58
Leung Siu Pong James	12/6/2000	2,000,000	-	2,000,000	13/6/2000 - 12/6/2002	0.58
Liu Yuen Tai Gordon	12/6/2000	2,000,000	-	2,000,000	13/6/2000 - 12/6/2002	0.58

Save as disclosed above, at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, or had exercised any such rights.

Substantial Shareholders

As at 31 March 2001, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares	Shareholding %
Kwan Pak Hoo Bankee (Note)	435,132,000	69.21
Khoo Ken Wee (Note)	435,132,000	69.21
Celestial Asia Securities Holdings Limited (Note)	435,132,000	69.21
Celestial Investment Group Limited (Note)	435,132,000	69.21

Note: This refers to the same number of 435,132,000 shares held by CIGL. CIGL is a wholly-owned subsidiary of CASH which is owned as to approximately 41.91% by Cash Guardian (which is 60% beneficially owned by Jeffnet Inc and 40% beneficially owned by Mr Khoo Ken Wee) and 10.63% by Suffold (which is 100% beneficially owned by Jeffnet Inc). Jeffnet Inc held these shares as trustee of The Jeffnet Unit Trust, units of which are held by a discretionary trust established for the benefit of the family members of Mr Kwan. Pursuant to SDI Ordinance, CASH, Mr Kwan and Mr Khoo are deemed to be interested in the shares held by CIGL.

Save as disclosed above, at 31 March 2001, no other parties were recorded in the register required by the SDI Ordinance to be kept as having an interest of 10% or more of the issued share capital of the Company.

Purchase, Redemption or Sale of Listed Securities

During the year ended 31 March 2001, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 28 to the financial statements.

Compliance with the Code of Best Practice

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 throughout the accounting period covered by this Annual Report save for the Independent Non-executive Directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's bye-laws.

Audit Committee

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice on 9 November 1999. The audit committee comprises members of Mr Lo Kwok Hung John and Ms Lau Po Yee Edith, both being Independent Non-executive Directors of the Company.

Auditors

There has not been any change in auditors of the Company during the preceding three years.

The financial statement for the year has been audited by Messrs Ernst & Young. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Ernst & Young as auditors of the Company.

On behalf of the Board

Bankee P Kwan

Chairman

Hong Kong, 19 July 2001