

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 29 to the accounts.

An analysis of the Group's turnover and contribution to profit before taxation for the year by principal activities and markets is detailed in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The Group's results for the year are set out in the consolidated profit and loss account on page 25.

The details of dividends declared and paid during the year are set out in note 7 to the accounts.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the accounts.

FIXED ASSETS

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 58.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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 shares during the year.

DIRECTORS

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

Tan Sri Datuk TIONG Hiew King (*Chairman*)

Mr TIONG Kiu King

Dr TIONG Ik King

Mr TIONG Kiew Chiong

Mr KOU Yok Liong (resigned on 1st January 2001)

Mr TANG Ying Yu*

Mr David YU Hon To*

* *independent non-executive directors*

In accordance with bye-laws 99(A) and 182(iv) of the Company's bye-laws, Mr TIONG Kiew Chiong and Dr TIONG Ik King retire by rotation and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Tan Sri Datuk TIONG Hiew King, aged 67, has been the Chairman of the Company since October 1995. Tan Sri Datuk TIONG Hiew King has extensive experience in a number of industries including timber, newspaper publishing and property development and investment.

Mr TIONG Kiu King, aged 66, has been an executive director of the Company since October 1995. Mr TIONG graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong in 1964. He is a brother of Tan Sri Datuk TIONG Hiew King.

Dr TIONG Ik King, aged 50, has been an executive director of the Company since October 1995. Dr TIONG graduated with a M.B.B.S. Degree from the National University of Singapore in 1975 and obtained a M.R.C.P. from the Royal College of Physicians in the United Kingdom in 1977. He is a brother of Tan Sri Datuk TIONG Hiew King.

Mr TIONG Kiew Chiong, aged 41, joined the Company as an executive director on 2nd May 1998. Mr TIONG graduated with a Bachelor of Business Administration Degree from York University, Toronto, Canada in 1982. He has also been a director of Pemandangan Sinar Sdn Bhd which is the publisher of Sin Chew Jit Poh, the leading Chinese newspaper in Malaysia, since 1996.

Mr KOU Yok Liong, aged 56, joined the Group in 1996 and was appointed as an executive director of the Company on 20th April 1998. Mr KOU has over 37 years' experience in the newspaper industry. Mr KOU resigned on 1st January 2001.

Mr TANG Ying Yu, aged 56, has been an independent non-executive director of the Company since April 1995. Mr TANG is a civil engineer and acts as the managing director of both Southern Petroleum Company Limited and Wan Lai Company Limited.

Mr David YU Hon To, aged 53, was appointed as an independent non-executive director of the Company on 30th March 1999. Mr YU is a fellow of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Society of Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance. Mr YU is a founder and director of Management Capital Limited, which specialises in direct investment and financial advisory activities, and also on the board of several listed companies in Hong Kong.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company discloses that during the year and up to the date of this report, Tan Sri Datuk TIONG Hiew King, Dr TIONG Ik King and Mr TIONG Kiew Chiong, directors of the Company, held directorships in Pemandangan Sinar Sdn Bhd ("PSSB") which is engaged in the business of newspaper publishing in Malaysia.

As the board of directors of the Company is independent of the board of PSSB, the Group operates its business independently of, and at arm's length from, the business of PSSB.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting 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 CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company or its fellow 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.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES

Pursuant to a Share Option Scheme (the "Scheme") approved at a special general meeting of the Company held on 21st February 1991, the directors of the Company may, at their discretion, invite full-time employees (including executive directors) of the Company and its subsidiaries, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. All share options that have not been exercised lapsed automatically on 20th February 2001, the expiry date of the Scheme. Movements of the share options granted to the directors of the Company during the year were as follows:

| Name of director | Date of Grant | Exercise price per share HK\$ | Number of shares involved in share options | | | |
|----------------------|---------------|----------------------------------|--|-------------------------|------------------------|----------------------------|
| | | | Balance at 1st April 2000 | Granted during the year | Lapsed during the year | Balance at 31st March 2001 |
| Tan Sri Datuk TIONG | | | | | | |
| Hiew King | 1st June 2000 | 2.219 | – | 150,000 | (150,000) | – |
| Mr TIONG Kiu King | 1st June 1998 | 1.386 | 150,000 | – | (150,000) | – |
| Mr TIONG Kiu King | 1st June 2000 | 2.219 | – | 150,000 | (150,000) | – |
| Dr TIONG Ik King | 1st June 1998 | 1.386 | 150,000 | – | (150,000) | – |
| Dr TIONG Ik King | 1st June 2000 | 2.219 | – | 150,000 | (150,000) | – |
| Mr TIONG Kiew Chiong | 1st June 2000 | 2.219 | – | 139,000 | (139,000) | – |
| | | | <u>300,000</u> | <u>589,000</u> | <u>(889,000)</u> | <u>–</u> |

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its holding company or its fellow subsidiaries a party to any arrangements to enable the directors, chief executives or their spouses or children under 18 years of age of the Company to acquire benefits by means of acquisition of shares in the Company or any other body corporate.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES

At 31st March 2001, the directors, chief executives and their associates had the following interests in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”):

| Name of director | Number of shares held | | | |
|-------------------------------|-----------------------|------------------|---------------------|-----------------|
| | Personal interests | Family interests | Corporate interests | Total interests |
| Tan Sri Datuk TIONG Hiew King | 150,000 | – | 252,487,700 (Note) | 252,637,700 |
| Mr TIONG Kiu King | 611,000 | 147,000 | – | 758,000 |
| Dr TIONG Ik King | – | – | 252,487,700 (Note) | 252,487,700 |
| Mr TIONG Kiew Chiong | 794,000 | – | – | 794,000 |

Note:

The corporate interest of Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King in the Company was jointly held through Conch Company Limited (“Conch”) which holds 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.

Save as disclosed above and those interests in respect of the Share Option Scheme disclosed under “Directors’ and chief executives’ benefits from rights to acquire shares”, none of the directors, chief executives and their associates had any beneficial or non-beneficial interests in the share capital of the Company, any of its subsidiaries or its associated corporations at 31st March 2001 which is required to be disclosed pursuant to the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 31st March 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that China Strategic Holdings Limited is beneficially interested in 39,248,000 shares of the Company, representing approximately 10% of the issued share capital of the Company.

Save as disclosed above and those interests disclosed under “Particulars of shares held by directors, chief executives and their associates”, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company at 31st March 2001.

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.

PENSION SCHEME ARRANGEMENT

The Group operates a hybrid scheme (the “Scheme”). Employees who joined the Group on or before 1st July 1990 are under a defined benefit plan provided they terminate their services with the Group upon reaching their normal retirement age. Other employees are under a defined contribution plan. The Scheme is administered by an independent trustee.

During the year, the Scheme was funded by contributions by both the employees and the Group at 5% and 4.7% of the monthly basic salaries of the employees respectively. The Group's contributions to the Scheme are charged against the profit and loss account as they are incurred and the total amount charged for the year amounted to HK\$7,800,000 (2000: HK\$8,232,000). Forfeited employers' contributions arising from early termination of services by employees are credited to a forfeiture reserve for the purpose of covering any shortfall on the defined benefit plan. The total amount available for such purpose amounted to HK\$18,044,000 (2000: HK\$19,280,000) at 31st March 2001.

The most recent independent actuarial valuation (the “Valuation”) of the Scheme was carried out at 1st January 2001 by Watson Wyatt Hong Kong Limited, a professionally qualified independent actuary. According to the Valuation, the Scheme was solvent as at the date of the Valuation.

With effect from 1st December 2000, all new joiners of the Group are eligible to join a mandatory provident fund scheme (“MPF Scheme”). The Group's MPF Scheme contributions are at 5% of the employee's relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month (“MPF Contributions”). The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

The total MPF Contributions payable to the MPF Scheme for the year ended 31st March 2001 was HK\$939,000. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

EMPLOYEES

The Group has approximately 1,480 employees, the majority of whom are employed in Hong Kong. The Group remunerates its employees largely based on industry practice, including contributing provident funds, insurance and medical benefits. The Group also adopts a share option scheme for its staff of senior grade with awards determined annually based upon the performance of the Group and individual employees.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws in Bermuda.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Code of Best Practice has been complied with by the Company throughout the year ended 31st March 2001 except that non-executive directors were not appointed for a specific term as recommended under the guidelines set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. According to the Company's bye-laws 182(iv), directors, including independent non-executive directors, shall retire by rotation at the annual general meeting and, being eligible, offer themselves for re-election where their re-appointments are reviewed. In the opinion of the Board, this meets the same objective of the Code of Best Practice.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the audit 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 audit committee provides an important link between the Board and the Company's auditors in matters falling within the scope of the Group's audit. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The committee comprises two independent non-executive directors, namely Mr TANG Ying Yu and Mr David YU Hon To. 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

TIONG Kiew Chiong

Chairman

Hong Kong, 5th July 2001