





Leadership in the global marketplace...

Our ability to reach diverse markets around the world is a key part of our success. Our investment portfolio includes companies that are experienced in property development, hotel operation, tyre manufacturing, securities brokering and the newspaper industry. By balancing our investments across industry sectors, we enhance our leadership position and ensure continued competitiveness on a global level. The benefit for our shareholders? Diversified markets bring greater security, stability and profits.

REPORT OF THE DIRECTORS

The directors present to the shareholders the annual report on the affairs of the Company and of the Group together with the audited financial statements for the year ended March 31, 2001.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture, distribution and marketing of data storage media (primarily floppy disks, CD-R and CD-RW) and the distribution and marketing of computer accessories and storage media drives, scanners, audio and video cassettes, minidisks, household electronic products and telecommunication accessories and securities trading. The Group also made strategic investments in information technology, Internet, Internet-related businesses and other businesses. The Company itself is an investment holding company.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and the Group's principal associates at March 31, 2001 are set out in note 45 to the financial statements.

RESULTS

Details of the results of the Group for the year are set out in the consolidated income statement on page 31 of the annual report.

DIVIDEND

An interim dividend of HK0.17 cent per share (2000: HK0.17 cent per share, adjusted for the subdivision of shares on January 5, 2000), adjusted for the effect of the Company's rights issue in February 2001, was paid during the year. The Board has recommended the payment of a final dividend of HK0.15 cent per share (2000: HK0.17 cent per share, adjusted for the effect of the Company's rights issue in February 2001) to be paid to shareholders whose names appear on the register of members of the Company on Tuesday, August 21, 2001. Subject to the approval of shareholders at the forthcoming annual general meeting, the dividend warrants will be paid on or about Thursday, September 20, 2001 in cash, with shareholders being given the option to receive shares of HK\$0.025 each ("New Shares") in the Company in lieu of cash in respect of part of all of such dividend ("Scrip Dividend Scheme"). The number of New Shares will be calculated on the basis of the average of the closing prices per share of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five consecutive trading days from Wednesday, August 15, 2001 to Tuesday, August 21, 2001. A circular giving full details of the Scrip Dividend Scheme and a form of election will be sent to shareholders on or around Tuesday, August 21, 2001. The Scrip Dividend Scheme is conditional upon the Stock Exchange granting the listing of and permission to deal in the New Shares to be issued.

The proposed final dividend of HK0.15 cent per share reflects that the Directors are optimistic on the Company's future.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 30 to the financial statements.

REPORT OF THE DIRECTORS (continued)

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five years ended March 31, 2001 is set out on page 82 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$41 million on the acquisition of property, plant and equipment for the purpose of expanding the Group's businesses. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

On January 16, 2001, the Company announced the issue, by way of a rights issue (the "Rights Issue"), of not less than 2,143,725,363 rights shares ("Rights Shares") at a price of HK\$0.16 per Rights Share, in the proportion of one Rights Share for every two shares held by the qualifying shareholders on February 9, 2001, payable in full on acceptance. The Rights Shares represented 50% of the then existing share capital and approximately 33% of the Company's issued share capital as enlarged by the issue of the Rights Shares. The Rights Shares, when allotted and fully paid, rank *pari passu* with the then existing shares in all respects. The net proceeds were approximately HK\$334 million, about HK\$220 million of which was used to reduce the borrowings of the Group, including short-term borrowings and bank loans, and the remaining HK\$114 million was used for general working capital. The Rights Issue closed on February 26, 2001. An aggregate of 2,143,726,763 Rights Shares at the subscription price of HK\$0.16 each have been allotted. Details of the Rights Issue were disclosed in the Company's announcements dated January 16, 2001, February 9, 2001 and February 26, 2001 and the Company's circular dated February 9, 2001.

During the year, the Company repurchased certain of its own shares through the Stock Exchange, details of which are set out in the section "Purchase, Sale or Redemption of the Company's Listed Securities" below. The directors considered that the repurchases would enhance the value per share of the Company.

Details of these and other movements in the share capital of the Company during the year are set out in note 27 to the financial statements.

WARRANTS

At the Special General Meeting of the Company held on September 26, 2000, the shareholders of the Company has approved a bonus issue of Warrants (the "2002 Warrants") to grant to its shareholders whose names appear on the Register of Members of the Company on September 26, 2000 (other than those shareholders whose addresses on the Register of Members of the Company on September 26, 2000 are outside Hong Kong) on the basis of one 2002 Warrant for every five existing shares held on that date. The 2002 Warrants confer upon its holders the right to subscribe in cash at an initial subscription price of HK\$0.42 in cash for one new share in the capital of the Company at any time during the period from the date of issue, October 4, 2000 to April 3, 2002, both dates inclusive. The subscription price was adjusted to HK\$0.36 (subject to adjustment) with effect from February 12, 2001 as a result of the Rights Issue during the year.

Details of the movements in the warrants of the Company during the year are set out in note 28 to the financial statements.

REPORT OF THE DIRECTORS (continued)

SHARE OPTIONS

Details of the Company's share option scheme for employees are set out in note 29 to the financial statements.

CONVERTIBLE NOTE

Details of the Company's convertible note are set out in note 25 to the financial statements.

BORROWINGS

Bank and other borrowings, and obligations under finance leases and hire purchase contracts which are repayable within one year or on demand are classified as current liabilities. Repayment analyses of bank and other borrowings and obligations under finance leases and hire purchase contracts are set out in notes 24 and 26 to the financial statements respectively.

No interest was capitalized by the Group during the year.

DIRECTORS

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

Executive Directors:

Dr. Chan Kwok Keung, Charles (*Chairman*)

Mr. Yap, Allan (*Managing Director*)

Mr. Chan Kwok Hung

Mr. Cheung Kwok Wah, Ken

Non-Executive Directors:

Mr. Fok Kin Ning, Canning

Mr. Yuen Tin Fan, Francis*

Mr. Ip Tak Chuen, Edmond

Mr. Ma Si Hang, Frederick*

Mr. Tsang Link Carl, Brian*

Mr. Cheung Hon Kit

* *Independent Non-Executive Director*

In accordance with Clause 87 of the Company's Bye-laws, Messrs. Yuen Tin Fan, Francis and Ip Tak Chuen, Edmond retire and, being eligible, offer themselves for re-election.

The Non-Executive Directors are subject to retirement by rotation in accordance with the above clause of the Company's Bye-laws.

REPORT OF THE DIRECTORS (continued)

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN SECURITIES

As at March 31, 2001, the interests of the Directors of the Company in the securities of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register kept by the Company under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Ordinary Shares, Warrants and Convertible Note

Name of director	Nature of interest	Number of shares held	Amount of warrants held HK\$	Principal amount of convertible note HK\$
Chan Kwok Keung, Charles (note 1)	Corporate	1,751,624,504	70,226,716.14	385,900,000.00 (note 2)

Notes:

- (1) Dr. Chan Kwok Keung, Charles is deemed to have a corporate interest in 1,751,624,504 shares, HK\$70,226,716.14 warrants and a convertible note with a principal amount of HK\$385,900,000.00 of the Company by virtue of his interest in Chinaview International Limited ("Chinaview"). These interests were detailed and duplicated with the interests as shown in the paragraph "Substantial Shareholders" below.
- (2) ITC Corporation Limited ("ITC") is interested in the convertible note of the Company with a principal amount of HK\$385,900,000.00. The convertible note may be converted at any time two years from the date of issue (i.e. January 11, 2000 until January 11, 2002). Assuming full conversion of such convertible note at a conversion price of HK\$1.09 per share (subject to adjustment), a total of 354,036,697 new shares will be issued to ITC or as it may direct. Dr. Chan Kwok Keung, Charles is taken to have interests in such convertible note pursuant to Section 8 of the SDI Ordinance.

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Options

Details of the movements in the share options to subscribe for ordinary shares in the Company granted by the Company to the directors of the Company during the year are as follows:

Name of director	Date of grant	Exercise price per share before the Rights Issue	Exercise price per share after the Rights Issue	Number of ordinary shares to be issued upon exercise of the share options					Notes
		(note 1)	(note 1)	Balance at 4.1.2000	upon exercise of the share options		Rights Issue Adjustment (note 1)	Balance at 3.31.2001	
		HK\$	HK\$		Exercised during the year	Granted during the year			
Chan Kwok Keung, Charles	1.27.2000	1.064	0.709	50,000,000	-	-	25,000,000	75,000,000	2(b)
	8.14.2000	0.402	0.268	-	-	9,000,000	4,500,000	13,500,000	2(c)
Yap, Allan	5.22.1996	0.360	-	36,000,000	(36,000,000)	-	-	-	2(a)
	1.27.2000	1.064	0.709	42,000,000	-	-	21,000,000	63,000,000	2(b)
	8.14.2000	0.402	0.268	-	-	17,000,000	8,500,000	25,500,000	2(c)
Chan Kwok Hung	5.22.1996	0.360	-	32,400,000	(32,400,000)	-	-	-	2(a)
	1.27.2000	1.064	0.709	10,000,000	-	-	5,000,000	15,000,000	2(b)
	8.14.2000	0.402	0.268	-	-	10,000,000	5,000,000	15,000,000	2(c)
Cheung Kwok Wah, Ken	5.22.1996	0.360	-	9,000,000	(9,000,000)	-	-	-	2(a)
Yuen Tin Fan, Francis	1.27.2000	1.064	0.709	12,000,000	-	-	6,000,000	18,000,000	2(b)
	8.14.2000	0.402	0.268	-	-	6,000,000	3,000,000	9,000,000	2(c)
Ma Si Hang, Frederick	1.27.2000	1.064	0.709	5,000,000	-	-	2,500,000	7,500,000	2(b)
	8.14.2000	0.402	0.268	-	-	5,000,000	2,500,000	7,500,000	2(c)
Tsang Link Carl, Brian	8.14.2000	0.402	0.268	-	-	1,000,000	500,000	1,500,000	2(c)

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Options (continued)

Notes:

- (1) The exercise price per share and the number of shares to be issued upon exercise of the share options have been adjusted for the effect of the Rights Issue during the year.
- (2) The exercisable period for the options granted are as follows:-
 - (a) Options granted on May 22, 1996 are exercisable at any time during the period from May 22, 1996 to May 30, 2000.
 - (b) Options granted on January 27, 2000 are exercisable at any time during the period from January 27, 2000 to November 27, 2001.
 - (c) Options granted on August 14, 2000 are exercisable at any time during the period from August 14, 2000 to November 27, 2001.
- (3) According to the Company's share option scheme, the cash consideration paid by each director for each grant of the options is HK\$1.00.

Details of the share option scheme are set out in note 29 to the financial statements.

Save as disclosed above, as at March 31, 2001, none of the directors of the Company had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements 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.

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Interests of directors of the Company in competing businesses as at March 31, 2001 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:-

Name of director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Chan Kwok Keung, Charles	New World CyberBase Limited	Provision of one-stop-shop e-Business solutions which includes web-site design and development through its wholly-owned subsidiary	Director
	STAREASTnet (BVI) Limited, a wholly-owned subsidiary of STAREASTnet.com Corporation	Provision of information technology consulting services	Director
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited ("CKH") (note)	Manufacture, distribution and marketing of data storage media	Non-executive Director of CKH
	CKH (note)	Distribution and marketing of computer accessories and storage media drives, scanners, audio and video cassettes, minidiscs, household electronic products and telecommunication accessories	Non-executive Director of CKH
	Hutchison Whampoa Limited ("HWL") (note)	Finance and investment	Group Managing Director of HWL
	CKH (note)	Investment in securities	Non-executive Director of CKH

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

Name of director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
	Cheung Kong Infrastructure Holdings Limited ("CKI") (note)	Securities investment	Deputy Chairman of CKI
	HWL (note)	E-commerce projects and operating general information portals	Group Managing Director of HWL
	CKH (note)	Information technology, e-commerce and new technology	Non-executive Director of CKH
	CKI (note)	Information technology, e-commerce and new technology	Deputy Chairman of CKI
	Across Asia Multimedia Limited	Fixed line broadband communication services, cellular communication services, Internet enabling services and e-commerce, offering a broad range of video, data, voice and Internet related services in Asia	Non-executive Director
	China Strategic Holdings Limited	B2B e-commerce business	Non-executive Director (resigned on 21/12/2000)
	ICG Asia Limited	B2B e-commerce business	Non-executive Director

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

Name of director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Ip Tak Chuen, Edmond	CKH (note)	Manufacture, distribution and marketing of data storage media	Executive Director
	CKH (note)	Distribution and marketing of computer accessories, telecommunication accessories and related products	Executive Director
	CKH (note)	Securities trading	Executive Director
	CKH (note)	e-commerce and general information portals	Executive Director

Note: Such businesses may be made through its subsidiaries, associated companies or by way of other forms of investments.

Other than as disclosed above, none of the directors is interested in any business apart from the Company's businesses which competes or is likely to compete, either directly or indirectly, with the Company's businesses.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the 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.

REPORT OF THE DIRECTORS (continued)

SUBSTANTIAL SHAREHOLDERS

As at March 31, 2001, the register of substantial shareholders kept by the Company pursuant to section 16 (1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares held		Shareholding Percentage %
	Direct Interest	Deemed Interest	
Chan Kwok Keung, Charles	–	1,751,624,504	27.24
Chinaview	–	1,751,624,504	27.24
Galaxyway Investments Limited ("Galaxyway")	–	1,751,624,504	27.24
ITC	–	1,751,624,504	27.24
ITC Investment Holdings Limited ("ITC Investment")	–	1,751,624,504	27.24
Mankar Assets Limited ("Mankar")	–	1,751,624,504	27.24
Famex Investment Limited ("Famex")	1,751,624,504	–	27.24

Notes: (1) Famex is a wholly-owned subsidiary of Mankar. Mankar is a wholly-owned subsidiary of ITC Investment, which in turn a wholly-owned subsidiary of ITC. Mankar, ITC Investment and ITC are deemed to be interested in 1,751,624,504 shares which are held by Famex.

(2) Galaxyway, a wholly-owned subsidiary of Chinaview, in which Dr. Chan Kwok Keung, Charles owns its entire issued share capital, owns more than one-third of the issued ordinary share capital of ITC. Galaxyway, Chinaview and Dr. Chan Kwok Keung, Charles are deemed to be interested in 1,751,624,504 shares which are held by Famex.

Save as disclosed above, as at March 31, 2001, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are shown in note 41 to the financial statements.

REPORT OF THE DIRECTORS (continued)

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended March 31, 2001:

- (i) The Group's largest customer and five largest customers accounted for approximately 31.8% and 58.0% respectively of the Group's total turnover.
- (ii) The Group's largest supplier and five largest suppliers accounted for approximately 40.6% and 71.3% respectively of the Group's total purchases (not including purchases of items which are of capital nature).

So far as the directors are aware, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers of the Group.

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

During the year, the Company repurchased a total number of 21,226,000 of its own shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration paid (including expenses)
		Highest	Lowest	HK\$'000
		HK\$	HK\$	
April 2000	14,434,000	1.00	0.50	11,538
May 2000	1,792,000	0.49	0.48	879
June 2000	5,000,000	0.60	0.57	2,953

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against the share premium account.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF THE DIRECTORS (continued)

CORPORATE GOVERNANCE

The Company has complied throughout the year ended March 31, 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Bye-laws of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited annual financials.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, July 20, 2001