

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries, associates and jointly controlled entity are set out in notes 40, 41 and 42 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 19.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 68.

CONNECTED TRANSACTIONS

- (a) During the year, Master Super Development Limited ("Master Super"), a 60% owned subsidiary, obtained shareholders' loans from the Group and two shareholder companies controlled by Mr. Wong Chun Hong ("Mr. Wong"), a director of the Company. At 31st March, 2001, the outstanding balance of the loans from the Group and the shareholder companies amounting to approximately HK\$135,926,400 and HK\$90,617,600 respectively.

The loans are unsecured, interest free, repayable on demand and made on a pro rata basis with reference to the equity holding in Master Super.

In addition, Mr. Wong and the Company have given guarantees amounting to HK\$194,000,000 in favour of a bank to secure banking facilities granted to Master Super. The guarantees were given on a pro rata basis with reference to the equity holding in Master Super and at nil consideration.

- (b) On 1st April, 1999, the Group entered into a lease agreement with Mr. Lee Sai Kai, David, a director of the Company, under which an investment property of the Group was leased to Mr. Lee Sai Kai, David for a period of three years commencing 1st August, 1999 for a monthly rental of HK\$17,000 exclusive of rates and management fee. The rental income received by the Group during the year amounting to HK\$204,000. The rental was negotiated by reference to prevailing market rates.
- (c) During the year, the Group entered into an agreement with Mr. Wong to dispose of its 50% interest in an associate, Shenzhen Hong Kong Real Estates Exchange Services Limited, for cash consideration of HK\$5,000. The gain on disposal of the associate amounted to approximately HK\$180,000.

CONNECTED TRANSACTIONS (Cont'd)

- (d) During the year, the Group entered into a lease agreement with a related company, 祥泰信息諮詢(深圳)有限公司, a company in which Mr. Wong has a beneficial interest. Under the lease agreement, an investment property of the Group situated outside Hong Kong was leased to the related company for a period of two years commencing 15th December, 2000 for a monthly rental of approximately HK\$3,500. The rental income received by the Group during the year amounting to approximately HK\$12,000. The rental was negotiated by reference to prevailing market rates.
- (e) On 10th July, 2001, Cheung Tai Hong Holdings (Property) Limited, a wholly-owned subsidiary of the Company, entered into a preliminary agreement (the "Agreement") with Master Super to purchase a commercial unit in Sheung Wan Centre from Master Super for a consideration of HK\$9,500,000, subject to the other terms and conditions contained in the Agreement. Master Super is a 60% owned subsidiary of the Company and 40% owned by two shareholder companies controlled by Mr. Wong.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 27 and 28 to the financial statements, respectively.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31st March, 2001 as set out in note 13 to the financial statements. The resulting deficit arising on revaluation amounting to HK\$10,370,000 has been charged to the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of properties under development of the Group are set out in note 15 to the financial statements.

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PRINCIPAL PROPERTIES

Particulars of the Group's principal properties as at 31st March, 2001 are set out on page 69.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Mr. Wong Chun Hong
Mr. Hui Kwok Wai
Mr. Leung Kwong Choi, James
Mr. Cheng Chak Hung, Ian
Mr. Lee Sai Kai, David

Independent non-executive directors:

Mr. Wong Yuen
Mr. Cui Shuming
Mr. Tang Wing Tsoo, Brian *(resigned on 9th October, 2000)*

Other non-executive directors:

Mr. Ho Chit Hung, Thomas
Mr. Liu Ren Shung

In accordance with Clause 86(2) and 87 of the Company's Bye-laws, Messrs. Cheng Chak Hung, Ian and Ho Chit Hung, Thomas will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Mr. Cheng Chak Hung, Ian has entered into a service contract with the Group for a period of three years commencing from 1st June, 1999.

Save as disclosed above, none of the directors being 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.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transactions" above, no other contract 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.

DIRECTORS' INTERESTS IN SHARES

As at 31st March, 2001, the interests of the directors of the Company and their associates in the shares of the Company and its associated corporations, within the meaning of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

(a) Shares in the Company

As at 31st March, 2001, the following directors had interests in the issued share capital of the Company:

Name of director	Personal interests	Corporate interests
Mr. Wong Chun Hong	–	473,503,921 (Note)
Mr. Cheng Chak Hung, Ian	1,240,000	–
Mr. Leung Kwong Choi, James	1,240,000	–

Note: Messrs. Wong Chun Hong and Hui Kwok Wai through Primestone Enterprises Limited ("Primestone") own 473,503,921 shares in the Company, of which 18,187,200 shares and 132,000 shares are registered in the name of a nominee company and Mr. Lee Sai Kai, David respectively. Primestone is owned as to 70% by Mr. Wong Chun Hong and as to 30% by Mr. Hui Kwok Wai.

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DIRECTORS' INTERESTS IN SHARES (Cont'd)

(b) Shares in subsidiaries

As at 31st March, 2001, the following directors had interests in the issued share capital of subsidiaries of the Company:

Non-voting deferred shares:

Name of director	Name of subsidiary	Nature of interest	Number of shares held
Mr. Wong Chun Hong	Cheung Tai Hong, Limited	Personal	485
Mr. Cheng Chak Hung, Ian	King-Tech Engineering Company Limited	Personal	700,000

Ordinary shares:

Name of director	Name of subsidiary	Nature of interest	Number of shares held
Mr. Wong Chun Hong	Master Super Development Limited	Corporate	40

Mr. Wong Chun Hong through Asia Progress Investments Limited ("Asia Progress") and Handsworth Investments Limited ("Handsworth") owns 40 shares in Master Super Development Limited. Asia Progress and Handsworth are companies wholly owned and controlled by Mr. Wong Chun Hong.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Mr. Wong Chun Hong in trust for the Group, as at 31st March, 2001, none of the directors of the Company or any of their associates had any interests in any securities of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of a share option scheme, under which the directors of the Company have been granted options to subscribe for shares in the Company, are set out in note 28 to the financial statements.

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. In addition, none of the directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses that the Company was notified of the following interest representing 10% or more of the issued share capital of the Company as at 31st March, 2001:

Name of shareholder	Number of shares held	Percentage of issued share capital
Primestone	473,503,921 (Note)	24.26%

Note: Mr. Wong Chun Hong is deemed to be interested in the 473,503,921 shares in the Company held by Primestone by virtue of his 70% beneficial interest in the issued share capital of Primestone. Details of the deemed interest are disclosed under the section headed "Directors' Interests in Shares" above.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2001, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 55% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 29% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 89% of the Group's total purchases and the purchase attributable to the Group's largest supplier was approximately 42% of the Group's total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the share option scheme as set out in note 28 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31st March, 2001.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed 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 of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

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CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year 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.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 39 to the financial statements.

AUDITORS

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

On behalf of the Board

WONG CHUN HONG

Chairman and Chief Executive Officer

Hong Kong, 20th July, 2001