




REPORT OF THE DIRECTORS



The directors submit their report together with the audited accounts of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st March, 2001.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 36 to the accounts.

An analysis of the Group’s turnover and contribution to operating loss for the year by principal activities and markets is set out in note 3 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 25 of this annual report.

The directors do not recommend the payment of a dividend.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial periods is set out on pages 71 and 72 of this annual report.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the accounts.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders. The Company has no distributable reserves at 31st March, 2000 and 2001.

Fixed assets

Details of the movements in fixed assets are set out in note 13 to the accounts.

Properties

Details of the Group's properties are set out on pages 73 and 74 of this annual report.

Share capital

Details of the movements in share capital of the Company are set out in note 24 to the accounts.

Borrowings

Details of the Group's bank loans and overdrafts and other loan are set out in note 27 to the accounts.

Directors

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

Executive directors:

Ms. Chen Xiao Ying (Executive Chairman)	(appointed on 17th May, 2000)
Ms. Chen Changjuan (Executive Vice Chairman)	(appointed on 17th May, 2000)
Mr. Chen Timothy Yung-cheng (Chief Executive Officer)	(appointed on 8th June, 2000)
Mr. Koo Luen Bong	(appointed on 6th December, 2000)
Mr. Huang Tieying	(appointed on 8th June, 2000 and resigned on 1st March, 2001)
Ms. Lui Yuk Chu	(resigned on 8th June, 2000)
Mr. Tsang Yiu Kai	(resigned on 8th June, 2000)

Non-executive directors:

Mr. Cui Xun (Honorary Chairman)	(appointed on 17th May, 2000)
Mr. Koon Wing Yee	(resigned on 24th August, 2000)

Independent non-executive directors:

Mr. Stephen Edward Clark	(appointed on 8th June, 2000 and resigned on 7th June, 2001)
Mr. Herbert Chang Yu Pang	(appointed on 1st November, 2000)
Mr. Tsui Yiu Wa, Alec	(appointed on 1st September, 2000)
Mr. Chan Chi Chung	(resigned on 8th June, 2000)
Mr. Wong Sui Kwan	(resigned on 8th June, 2000)

In accordance with Clauses 99 and 102 of the Company's Bye-laws, except for Ms. Chen Xiao Ying, the Executive Chairman, all the remaining directors shall retire at the forthcoming annual general meeting and offer themselves for re-election.

Biographical details of directors

Brief biographical details of directors are set out on pages 14 and 15 of this annual report.

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 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, any of its subsidiaries or its holding companies were 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 securities

- (a) At 31st March, 2001, the interests of the directors in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

Name of director	Date of grant	Exercise price per share HK\$	Options (i)			Shares
			Granted during the year	Lapsed during the year	As at 31st March, 2001	Number of ordinary shares of the Company held as at 31st March, 2001
Ms. Chen Xiao Ying	13th July, 2000	0.99	70,000,000	—	70,000,000	1,885,027,200 (ii)
Mr. Huang Tiewing	13th July, 2000	0.99	15,000,000	(15,000,000)	—	N/A (iii)
Mr. Chen Timothy Yung-cheng	13th July, 2000	0.99	10,000,000	—	10,000,000	—
Mr. Koo Luen Bong	20th November, 2000	0.792	12,000,000	—	12,000,000	432,000
	20th March, 2001	0.3304	10,000,000	—	10,000,000	

No share options have been exercised by the directors during the year.

- (i) The options were granted under the share option scheme approved by the shareholders at the special general meeting held on 28th May, 1998. The options are exercisable subject to the terms and conditions stipulated each time options are granted. All the options granted will expire at the end of ten years from the date of grant or the life of the scheme, whichever is earlier.
- (ii) Details of the substantial shareholders are set out in page 20 of this annual report.
- (iii) Mr. Huang Tiewing resigned as director on 1st March, 2001.
- (b) No Director had any interests in the securities of any subsidiaries of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st March, 2001 except for certain nominee shares in subsidiaries held in trust for the Group.