

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31st March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies and partnerships are shown on pages 39 to 44. The turnover and contribution to operating profit, excluding the Group's share of associated companies, for the year by principal activities and geographical areas are as follows:

By principal activities:

	2001	2001	2000	2000
	Turnover	Operating profit/(loss)	Turnover	Operating profit/(loss)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property rental and management	28,884	12,694	147,187	68,523
Ski operations	—	—	23,717	(3,967)
IT services	24,021	5,293	1,527	(1,590)
Investment and interest income	11,008	5,350	12,128	4,172
Net profit/(loss) on disposal of assets less provisions	—	2,883	—	(95,993)
	63,913	26,220	184,559	(28,855)
Less: unallocated corporate expenses		(3,367)		(6,119)
Operating profit/(loss)		22,853		(34,974)

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By geographical areas:

	2001	2001	2000	2000
	Turnover	Operating profit/(loss)	Turnover	Operating profit/(loss)
	HK\$'000	HK\$'000	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	57,251	19,898	30,556	3,234
Thailand and South East Asia	1,319	1,740	7,584	97,872
United States of America	4,963	1,077	146,333	(135,968)
Mainland China	380	138	86	(112)
	63,913	22,853	184,559	(34,974)

FINANCIAL STATEMENTS AND DIVIDENDS

The consolidated profit and loss account for the year ended 31st March 2001 and the balance sheet for the Group and the Company as at 31st March 2001 are set out in the financial statements on pages 21 to 53.

The Directors do not recommend the payment of a final dividend (2000: Nil). Accordingly, there will be no closure of the Transfer Books and Register of Members of the Company. No interim dividend for the 6 months ended 30th September 2000 had been declared.

SHARE CAPITAL AND RESERVES

Details of movements in issued share capital and reserves during the year are set out in Note 16 and Note 17 to the financial statements.

DONATIONS

During the year the Group has made charitable donations amounting to HK\$30,000 (2000: HK\$22,000).

FIXED ASSETS

Details of movements in fixed assets are set out in Note 8 to the financial statements.

SUBSIDIARIES

Details of the subsidiary companies as at 31st March 2001 are set out in Note 11 to the financial statements.

BORROWINGS

Borrowings due within one year or on demand are shown in current liabilities in Note 15 to the financial statements.

INTEREST CAPITALISED

No interest expense was capitalised during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers being trade customers and tenants of the Group accounted for 41% of the Group's combined turnover on IT services and property rental & management, the largest trade customer accounting for 17%. The five largest suppliers of goods and services accounted for less than 21% of the Group's expenditure on goods and services.

DIRECTORS

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

Mrs Rossana WANG GAW

Mr Goodwin GAW

Mr Kenneth GAW

Ms Jane Kwai Ying TSUI

Dr Charles Wai Bun CHEUNG, JP

Mr John Chi Chik CHEUNG (resigned on 18th October 2000)

The Hon Bernard Charnwut CHAN

Mr Arnold Tin Chee IP

In accordance with the Company's Bye-Laws, Mr Goodwin Gaw and Mr Bernard Charnwut Chan retire, and being eligible, offer themselves for re-election.

Neither Mr Goodwin Gaw nor Mr Bernard Charnwut Chan has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation.



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BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mrs Rossana WANG GAW (*Chairman*)

Aged 55. Appointed to the Board in 1980 and has been Chairman of the Group since February 1999. She is the Managing Director of Pioneer Estates Limited. She is responsible for the management of the real estate sector in the Group. Mrs Gaw has eight years of experience in the garment manufacturing industry and over 15 years of experience in real estate investments. Mrs Gaw is a graduate of the University of California, Berkeley, and holds a degree in business administration.

Mr Goodwin GAW (*Vice-Chairman*)

Aged 32. Appointed to the Board in 1994 and became Vice Chairman of the Group in August 1996. Mr Gaw is also the Chairman & CEO of Global Gateway, L.P.. He graduated with a Bachelor of Science degree in Civil Engineering from the University of Pennsylvania, a finance degree from Wharton Business School and a Master of Science degree in Construction Management from Stanford University. He is the son of Mrs Rossana Wang Gaw.

Mr Kenneth GAW (*Managing Director*)

Aged 30. Appointed to the Board in 1994 and became Managing Director of the Group in February 1999. Mr Gaw is also a director of Siam Food Product Public Company Limited and was director and Deputy Chairman of Wah Kwong Shipping Holdings Limited until the company was privatised in July 2000. He graduated with a Bachelor of Science degree in Applied Mathematics and Economics from Brown University (Magna Cum Laude). Before joining the Group, Mr Gaw worked in the structured finance group at Goldman, Sachs & Co. in New York and in corporate finance at Goldman Sachs (Asia) Limited in Hong Kong. He is the son of Mrs Rossana Wang Gaw.

Ms Jane Kwai Ying TSUI (*General Manager and Company Secretary*)

Aged 57. Appointed to the Board in 1984. She is responsible for the day to day operation of the Group, including general administration. She is also responsible for all company secretarial matters of the Group. Ms Tsui previously worked in the banking sector for about three years before joining the Group in 1980.

Independent non-executive Directors

Dr Charles Wai Bun CHEUNG, JP

Aged 65. Appointed to the board in 1986. He is the Group Chief Executive and Executive Deputy Chairman of Mission Hills Group. He was a non-executive director of both K. Wah International Holdings Limited and K. Wah Construction Materials Limited. Dr Cheung is also a non-executive director of King Pacific International Holdings Limited and Prime Investments Holdings Limited. Dr Cheung holds an honorary doctor degree, a master degree and a bachelor of science degree in business administration. He had been in the banking business for over twenty-two years and held senior management positions. Dr Cheung was a former director and adviser of the Tung Wah Group of Hospitals. He is a Vice Chairman of Guangdong Province Golf Association.

The Hon Bernard Charnwut CHAN

Aged 36. Appointed to the Board in 1994. He holds a Bachelor of Arts degree from Pomona College, California, USA. He is the Deputy Managing Director of Asia Financial Group, a public listed company in Hong Kong with core activities in banking, insurance, securities and investments. He is also the Executive Director of Asia Insurance and Asia Commercial Bank, the wholly owned subsidiaries of Asia Financial Group. In addition to the directorships in many other Group's subsidiaries, he also sits on the boards of IMC Holdings Ltd., City e-Solutions Ltd., Peaktop International Holdings Ltd., Yau Lee Holdings Ltd., Bank Consortium Trust Co. Ltd. and Hong Kong Life Insurance Ltd. He has been appointed as the Chairman of Standing Committee on Disciplined Services Salaries and Conditions of Services; a Director of The Hong Kong Mortgage Corporation Ltd. and Securities & Futures Commission; a Council Member of Lingnan University and Vocational Training Council. He is also a member of the Mandatory Provident Fund Schemes Advisory Committee, Standing Committee on Language Education & Research, Business Advisory Group, Hong Kong Sports Development Board, Estate Agents Authority and Elderly Commission. In addition, he serves as the Chairperson of The Hong Kong Council of Social Service, a Councillor of the Legislative Council of the Hong Kong Special Administrative Region and a Committee Member of the Chinese People's Political Consultative Committee of Guangxi Zhuang Autonomous Region in China.



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Mr Arnold Tin Chee IP

Aged 38. Appointed to the Board in 1999. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong. He is also a director of Altus Asset Management Limited, an adviser specializing in private equity investments particularly in Hong Kong and China. Between 1989 and March 1997, Mr Ip worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Company Limited thereafter until January 2001 specializing in a broad range of corporate finance and advisory activities for companies based in Hong Kong and China.

Mr Ip's work focuses on fund raising for listed and unlisted companies including development capital raising for unlisted companies. Mr Ip has extensive experience and skills in evaluating the commercial as well as financial viability of companies.

From 1984 to 1988 Mr Ip worked at Arthur Andersen & Co in London specializing in taxation and qualified as a chartered accountant in 1988.

Mr Ip is a graduate of Trinity College, Cambridge University.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31st March 2001, the interests of the directors and chief executives in the share capital of the Company and of its associated corporations, as recorded in the register maintained by the Group pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

Name of Directors	Personal	Family	Corporate	Other	Total outstanding	Number of share options* granted and remained
Rossana Wang Gaw	—	—	15,089,732#	Note 1	138,238,433	8,207,328
Goodwin Gaw	—	—	—	—	—	17,260,535
Kenneth Gaw	1,734,750	—	8,082,000##	Note 2	36,274,524	17,260,535
Jane Kwai Ying Tsui	600,750	—	—	—	600,750	4,572,328
Charles Wai Bun Cheung	—	—	—	—	—	—
Bernard Charnwut Chan	—	—	—	—	—	—
Arnold Tin Chee Ip	—	—	—	—	—	—

Note 1: Family trust of which members of the family of Mrs Rossana Wang Gaw are amongst the beneficiaries held an aggregate of 123,148,701 shares.

Note 2: Family trust of which Mr Kenneth Gaw is a beneficiary held an aggregate of 26,457,774 shares.

* The relevant share options were granted pursuant to the share option scheme of the Company approved at the Company's special general meeting held on 3rd September 1996.

Mrs Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,089,732 Shares.

Mr Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,082,000 Shares.

Save as disclosed above, none of the directors, chief executives or their associates had any interests in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 of Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.



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SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 31st March 2001, according to the register kept by the Company under Section 16(1) of the SDI Ordinance and so far as was known to the directors, the following person, other than the directors, was interested or taken or deemed to be interested in 10 percent or more in nominal value of the issued share capital of the Company:

Name of Shareholder	Number of Shares	Percentage of the issued share capital
Forward Investments Inc.	174,277,635	23.15%

SHARE OPTION SCHEME

During the year, there were no options granted under the Share Option Scheme approved by shareholders at a special general meeting of the Company held on 3rd September 1996. No directors had exercised their options during the year.

As at 31st March 2001, the Company had outstanding options to subscribe for an aggregate of 47,300,726 shares in the Company. Of the 47,300,726 outstanding options, 21,718,554 options are exercisable at HK\$1.932 per share during the period from 24th October 1996 to 23rd October 2006 and the remaining balance of 25,582,172 options are exercisable at HK\$1.575 per share during the period from 6th March 1997 to 5th March 2007.

DIRECTORS' INTEREST IN CONTRACTS

The directors had no interest, direct or indirect, either during the financial year or at the end thereof in any significant contracts to which the Company or its subsidiaries was a party.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

During the year, the Audit Committee held meetings twice to discuss with management and the external auditors the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters. The Audit Committee has reviewed with satisfaction the audited financial statements for the year ended 31st March 2001 and provided recommendations to the Board of Directors. The members of the Audit Committee are Dr Charles Wai Bun Cheung, JP, Mr Bernard Charnwut Chan and Mr Arnold Tin Chee Ip.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, except that the independent non-executive directors have not been appointed for a specified term.

AUDITORS

The financial statements have been audited by Fan, Mitchell & Co. who retire, and being eligible, offer themselves for re-appointment.

On Behalf of the Board

Rossana Wang Gaw

Chairman

Hong Kong, 19th July 2001

