

The directors submit their report together with the audited accounts for the year ended 31st March 2002.

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 performance for the year by business and geographical segments is set out 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 23.

The directors have declared an interim dividend of HK2 cents per ordinary share, totalling HK\$7,847,000, which was paid on 18th January 2002.

The directors recommend the payment of a final dividend of HK2 cents per ordinary share, totalling HK\$7,847,000.

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

Movements in the fixed assets of the Group are set out in note 11 to the accounts.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2002, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK\$545,137,000 (2001: HK\$724,937,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 66.

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 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 TANG Ying Yu and Mr David YU Hon To retire by rotation and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Tan Sri Datuk TIONG Hiew King, aged 68, 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 67, 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 51, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr TIONG Kiew Chiong, aged 42, 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.

Mr TANG Ying Yu, aged 57, 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 54, 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 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.

Note: Various aspects of the Group's businesses are respectively under the direct responsibility of the four directors holding executive offices of the Company as named above. These executive directors are regarded as members of the Group's senior management.

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, 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. Mr TIONG Kiew Chiong subsequently resigned as director of PSSB in July 2002.

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.

SHARE OPTION SCHEME

Pursuant to a Share Option Scheme ("the Scheme") approved at the Special General Meeting of the Company held on 21st August 2001, 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.

(a) Summary of terms:

The maximum individual entitlement of options shall not exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the Scheme. The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding (i) any shares which have been duly allotted and issued pursuant to the Scheme and other schemes; and (ii) any pro-rata entitlements to further shares issued in respect of those shares mentioned in (i). The Scheme will remain valid for a period of ten years commencing on 21st August 2001 after which period no further options will be offered.

Pursuant to the new requirements governing share option schemes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") which came into effect on 1st September 2001, certain provisions of the Scheme are no longer applicable which include the basis of determining the subscription price. According to the Listing Rules, the share subscription price will be determined as the higher of (i) the nominal value of the shares of the Company and (ii) the average of the closing prices of the shares of the Company on the five trading days immediately preceding the granting of the option.

(b) Movements of the share options granted during the year under the Scheme are as follows:

Grantees	Number of shares involved in share options				Exercise price per share HK\$	Date of grant	Exercisable period
	Balance at 1st April 2001	Granted during the year	Exercised during the year	Balance at 31st March 2002			
Directors:							
Tan Sri Datuk TIONG Hiew King	-	300,000	-	300,000	1.592	31/08/2001	01/09/2001 - 20/08/2011
Mr TIONG Kiu King	-	300,000	-	300,000	1.592	31/08/2001	01/09/2001 - 20/08/2011
Dr TIONG Ik King	-	300,000	-	300,000	1.592	31/08/2001	01/09/2001 - 20/08/2011
Mr TIONG Kiew Chiong	-	300,000	-	300,000	1.592	31/08/2001	01/09/2001 - 20/08/2011
	-	1,200,000	-	1,200,000			
Full time employees	-	4,275,000	-	4,275,000	1.592	31/08/2001	01/09/2001 - 20/08/2011
Total	-	5,475,000	-	5,475,000			

The directors are of the view that the value of options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the directors believe that any calculation of the value of options will not be meaningful and may be misleading to shareholders in the circumstances.

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.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

At 31st March 2002, the interests of the directors, chief executives and their associates in the ordinary 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") are as follows:

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
Dr TIONG Ik King	–	–	252,487,700 (note)	252,487,700
Mr TIONG Kiu King	611,000	147,000	–	758,000
Mr TIONG Kiew Chiong	1,200,000	–	–	1,200,000

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 disclosed under "Share Option Scheme", 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 2002 which is required to be disclosed pursuant to the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that at 31st March 2002, the Company had been notified of the following interests by shareholders in shares representing 10% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares
Conch Company Limited	252,487,700
China Strategic Holdings Limited	39,248,000

Save as disclosed above, 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 2002.

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% 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\$5,648,000 (2001: HK\$7,800,000). 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\$14,658,000 (2001: HK\$18,044,000) at 31st March 2002.

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 at the date of the Valuation.

With effect from 1st December 2000, all new employees of the Group are eligible to join a mandatory provident fund scheme ("MPF Scheme"). The Group's contributions to the MPF Scheme are at 5% of the employees' 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 benefit once they are paid.

The total MPF Contributions payable to the MPF Scheme for the year ended 31st March 2002 was HK\$3,274,000 (2001: HK\$939,000). The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

EMPLOYEES

As at 31st March 2002, the Group has approximately 1,370 employees, the majority of whom are employed in Hong Kong. The Group remunerates its employees based on industry practice and performance of individual employees. The Group also adopts a share option scheme for its staff of senior grade.

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 and there was no restriction against such rights under 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 2002 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 of Directors, this meets the same objective of the Code of Best Practice.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. 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 2002