



The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries consist of investment holding, securities dealing and broking, financing, general import and export trading and property development and investment. There were no significant changes in the nature of the Group's activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 65.

The directors do not recommend the payment of any dividend in respect of the year (2001: Nil).

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 12 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 67.

PROPERTIES HELD FOR REDEVELOPMENT

Details of the properties held for redevelopment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the share capital, warrants and options to subscribe for shares of the Company, together with the reasons therefor, are set out in note 31 to the financial statements.

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 existing shareholders.



REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for cash distribution and distribution in specie were HK\$510,564,000. Under the laws of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 66. This summary does not form part of the audited financial statements.

DIRECTORS

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

Executive directors:

Mr. Steven Wang Tai Li

Ms. Yvonne Han Yi Yeung

Ms. Miranda Chi Mei Chan

Mr. Suet Ming Ching

(appointed on 2 April 2002)

Mr. Kenneth Chi Shing Cheung

(resigned on 18 June 2002)

Independent non-executive directors:

Mr. David Man San Lim

Mr. Jerry Wai Leung Yip

In accordance with the Company's bye-laws, Ms. Yvonne Han Yi Yeung shall retire in accordance with Bye-law 99 and, being eligible, offer herself for re-election at the forthcoming annual general meeting. Mr. Suet Ming Ching, a director appointed by the board of directors after the annual general meeting of the Company last year, be recommended for re-election at the AGM in accordance with Bye-law 103.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2002, the interests of the directors in the share capital of the Company or its associated corporations as recorded in the register required to be kept pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Share capital

Name of director	Number of ordinary shares of HK\$0.01 each held and nature of interest		
	Personal	Family	Corporate
Mr. Kenneth Chi Shing Cheung	203,045,967	24,649,272 <i>(Note 1)</i>	54,474,928 <i>(Note 2)</i>
Ms. Yvonne Han Yi Yeung	24,649,272	257,520,895 <i>(Note 3)</i>	—
Mr. Steven Wang Tai Li	516,330	—	—
Ms. Miranda Chi Mei Chan	39,288	—	—

Notes:

- (1) These shares were held by Ms. Yvonne Han Yi Yeung, the wife of Mr. Kenneth Chi Shing Cheung.
- (2) Mr. Kenneth Chi Shing Cheung is the sole shareholder of K.Y. Limited, which was the beneficial owner of 51,520,243 shares of the Company. In addition, Mr. Kenneth Chi Shing Cheung is deemed to be interested in 2,954,685 shares indirectly held by K.Y. Limited through its wholly-owned subsidiary, K.C. (Investment) Limited.

400,000 shares held by K.Y. Limited were charged to C.A. Pacific Finance Limited, which is in liquidation. The principal shareholders cannot ascertain whether the charged shares are still registered in the name of the pledgee and subject to their right of redemption.

- (3) These shares were held by Mr. Kenneth Chi Shing Cheung, K.Y. Limited and K.C. (Investment) Limited.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

- (a) On 10th August, 2001, Data Store Investments Limited, a wholly owned subsidiary of the Company, disposed of 6 ordinary shares of US\$1.00 each in West Marton Group Limited at a consideration of HK\$7,000,000 to Mr. Ngai Kwok Kin, a director of a subsidiary of the Company incorporated in Hong Kong on the date of the transaction.
- (b) On 10th August, 2001, Data Store Investments Limited, a wholly owned subsidiary of the Company, disposed of 12 ordinary shares of US\$1.00 each in West Marton Group Limited at a consideration of HK\$14,000,000 to Joyview International Limited, the entire issued share capital of which was beneficially owned by Mr. Chan Wai Lun. Mr. Chan Wai Lun was a director of two subsidiaries of the Company incorporated in British Virgin Islands until 1st August, 2001. He was also a director of a subsidiary of the Company established in the People's Republic of China until 26th July, 2001.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the Scheme which was approved and adopted in a special general meeting of the Company held on 23 August 2001, the directors may, within a period of ten years, grant to directors and/or executives of the Group, non-transferrable options to subscribe for shares in the Company.

The Stock Exchange has introduced a number of changes to the Listing Rules on share option schemes. These new rules came into effect on 1 September 2001. The Company may only grant further options under the Scheme if options are granted in accordance with the new requirements, which include, inter alia, the following:

- (a) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;
- (b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors; and
- (c) the exercise price of the share options is determined by directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of the grant.

The Company shall adopt a new share option scheme in due course to comply with the requirements of the amended Listing Rules on share option schemes.



SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the previous share option scheme during the year:

Name or category of participant	Number of share options				At 31 March 2002	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2001	Adjustment due to bonus issue	Cancelled during the year	Adjustment due to rights issue				
Directors								
Mr. Kenneth Chi Sing, Cheung	4,429,688	1,476,562	(1,476,562)	8,859,373	13,289,061	21.4.99	21.4.99 - 20.4.02	0.25 - 1.00
Ms. Yvonne Han Yi, Yeung	3,445,312	765,104	(1,915,104)	4,590,627	6,885,939	21.4.99	21.4.99 - 20.4.02	0.25 - 1.00
	<u>7,875,000</u>	<u>2,241,666</u>	<u>(3,391,666)</u>	<u>13,450,000</u>	<u>20,175,000</u>			

No options were granted during the year.

No options were exercised subsequent to the balance sheet date and the then outstanding options expired on 20 April 2002.

Summary details of the Company's share option scheme are also set out in note 31 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.



REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's single largest and five largest customers combined accounted for 18% and 54%, respectively, of the Group's total sales, whereas purchases from the Group's single largest and five largest suppliers combined accounted for 21% and 60%, respectively, of the Group's total purchases.

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied 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 throughout the financial year ended 31 March 2002 save that the independent non-executive directors are not appointed on specific terms but subject to retirement by rotation in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Steven Wang Tai Li

Chairman

Hong Kong, 18 July 2002