

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries and the Group's principal associates as at 31st March, 2002 are set out in note 43 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating results for the year ended 31st March, 2002 is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 23 of the annual report.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 28 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2002, the five largest suppliers in aggregate accounted for approximately 56% of the purchases of the Group and the largest supplier accounted for approximately 14% of the purchases of the Group. The five largest customers in aggregate and the single largest customer of the Group for the year ended 31st March, 2002 accounted for approximately 69% and 55%, respectively, of the turnover of the Group.

As far as the directors are aware, none of the directors nor their associates, within the meaning of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") or those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital have an interest in any of the five largest suppliers or customers of the Group for the year ended 31st March, 2002.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years/periods is set out on page 71 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 14 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the principal subsidiaries of the Company and principal associates of the Group as at 31st March, 2002 are set out in note 43 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

SHARE OPTIONS

Details of the movements in the share options of the Company during the year are set out in note 27 to the financial statements.

BORROWINGS

Bank overdrafts and other loan repayable within one year or on demand are classified as current liabilities. Details of and the repayment analysis of bank overdrafts and other loan of the Group and the Company as at 31st March, 2002 are set out in notes 24 and 25 to the financial statements, respectively.

The Group has in issue convertible notes with an aggregate principal value of HK\$580,000,000. Unless previously converted, redeemed or purchased and cancelled, the convertible notes at principal value of HK\$120,000,000 and HK\$460,000,000 will be redeemed on 5th October, 2002 and 1st March, 2003, respectively (or the next following business day if it is not a business day). During the year, the Group had its convertible notes at principal value of HK\$150,000,000 redeemed on 15th February, 2002. Further details of the convertible notes are set out in note 23 to the financial statements.

No interest was capitalised by the Group during the year.

DIRECTORS

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

Executive directors

Chan Kwok Keung, Charles (*Chairman*)

Lau Ko Yuen, Tom (*Deputy Chairman*)

Chau Mei Wah, Rosanna (*Managing Director*)

Cheung Kwok Wah, Ken

Chan Kwok Hung

Chan Fut Yan

Allan Yap

Wong Kun To

Cheung Hon Kit

(redesignated from independent non-executive director to executive director on 1st September, 2001)

Lam Shan

(resigned on 17th September, 2001)

Independent non-executive directors

Dominic Lai

Winston Calptor Chuck

(appointed on 2nd November, 2001)

In accordance with Bye-law 98(A) of the Company's Bye-laws, Mr. Lau Ko Yuen, Tom, Mr. Allan Yap and Mr. Wong Kun To retire at the forthcoming annual general meeting. In addition, in accordance with Bye-law 103(B) of the Company's Bye-laws, Mr. Winston Calptor Chuck retires at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election, except Mr. Allan Yap who does not offer himself for re-election.

DIRECTORS (continued)

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

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2002, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (the "Model Code") were as follows:

(a) Interest in the Company

Name of director	Nature of interest	Number of ordinary shares of the Company held	Amount of 1999 convertible notes of the Company held	Amount of 2000 convertible notes of the Company held
Chan Kwok Keung, Charles	Corporate interest	219,681,911 (note)	HK\$50,000,000 (note)	HK\$200,000,000 (note)

Note: Dr. Chan Kwok Keung, Charles was deemed to have a corporate interest in 219,681,911 ordinary shares of the Company, in the 1999 convertible notes with a principal amount of HK\$50,000,000 and in the 2000 convertible notes with a principal amount of HK\$200,000,000 by virtue of his indirect shareholding in Galaxyway Investments Limited ("Galaxyway") which owned these shares and convertible notes.

(b) Interest in Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC")

Name of director	Nature of interest	Number of shares of Paul Y. - ITC held	Amount of warrants of Paul Y. - ITC held	Number of share options of Paul Y. - ITC held
Chan Kwok Keung, Charles	Corporate interest	441,579,452 (note)	HK\$34,586,324.80 (note)	–
	Personal interest	–	–	9,587,301
Lau Ko Yuen, Tom	Personal interest	–	–	14,587,301
Chau Mei Wah, Rosanna	Personal interest	–	–	15,687,301
Chan Fut Yan	Personal interest	–	–	14,587,301
Cheung Hon Kit	Personal interest	400	HK\$32	–

Note: The shares and warrants were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interest in the ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and warrants under the SDI Ordinance.

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(c) Interest in Hanny Holdings Limited ("Hanny")

Name of director	Nature of interest	Number of shares of Hanny held	Amount of warrants of Hanny held	Number of share options of Hanny held
Chan Kwok Keung, Charles	Corporate interest	1,778,028,504 <i>(note)</i>	HK\$70,226,716.14 <i>(note)</i>	–
	Personal interest	–	–	160,000,000
Chan Kwok Hung	Personal interest	–	–	70,000,000
Allan Yap	Personal interest	–	–	130,000,000
Cheung Kwok Wah, Ken	Personal interest	–	–	30,000,000

Note: The shares and warrants were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interest in the ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and warrants under the SDI Ordinance.

(d) Interest in Burcon NutraScience Corporation ("Burcon")

Name of director	Nature of interest	Number of common shares of Burcon held	Number of share options of Burcon held
Chan Kwok Keung, Charles	Corporate interest	3,400,000 <i>(note)</i>	–
Chau Mei Wah, Rosanna	Personal interest	280,000	40,000
Allan Yap	Personal interest	860,000	320,000

Note: The common shares were held by wholly-owned subsidiaries of the Company. By virtue of his deemed interest in the ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these common shares under the SDI Ordinance.

Paul Y. - ITC, Hanny and Burcon were associated corporations, within the meaning of the SDI Ordinance, of the Company.

Dr. Chan Kwok Keung, Charles was, by virtue of his deemed interest in the ordinary share capital of the Company, deemed to be interested in the securities of the subsidiaries and associated corporations of the Company under the SDI Ordinance.

Save as disclosed above, as at 31st March, 2002, none of the directors of the Company had any interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance, as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Movements in options to subscribe for ordinary shares in the Company granted by the Company to the directors of the Company during the year were as follows:

Name of director	Date of grant	Exercise price per share <i>HK\$</i>	Number of ordinary shares of the Company to be issued upon exercise of the share options		
			Balance at 1.4.2001	Lapsed during the year	Balance at 31.3.2002
Chan Kwok Keung, Charles	18.12.1998	0.3792	2,600,000	(2,600,000)	–
	17.12.1999	1.0816	7,700,000	(7,700,000)	–
Lau Ko Yuen, Tom	18.12.1998	0.3792	2,000,000	(2,000,000)	–
	17.12.1999	1.0816	4,200,000	(4,200,000)	–
Chau Mei Wah, Rosanna	18.12.1998	0.3792	2,000,000	(2,000,000)	–
	17.12.1999	1.0816	4,200,000	(4,200,000)	–
Chan Fut Yan	17.12.1999	1.0816	4,200,000	(4,200,000)	–
Chan Kwok Hung	17.12.1999	1.0816	4,200,000	(4,200,000)	–

The options granted on 18th December, 1998 could be exercised at any time during the three year period commencing on a day after the date of offer, subject to certain restrictions contained in the offer letters, and lapsed during the year.

The options granted on 17th December, 1999 could be exercised at any time during the period commencing on a day after the date of offer until 23rd January, 2002 (the expiry date of the share option scheme of the Company adopted on 24th January 1992), and lapsed during the year.

No share options were granted, exercised or cancelled during the year.

The consideration for the grant of share options in respective periods held by the directors of the Company is at HK\$1.00.

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 debt securities including debentures of, the Company or any other body corporate, and none of the directors, chief executives 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 42 to the financial statements, no contracts 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 COMPETING BUSINESS

Interests of directors of the Company in competing business as at 31st March, 2002 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Chan Kwok Keung, Charles	Star East Holdings Limited ("Star East") and its subsidiaries	Loan financing business in Hong Kong	As a substantial shareholder of Star East
Chau Mei Wah, Rosanna	Star East and its subsidiaries	Loan financing business in Hong Kong	As an executive director of Star East
Wong Kun To	Star East and its subsidiaries	Loan financing business in Hong Kong	As the managing director of Star East

Notes:

- Ms. Chau Mei Wah, Rosanna ceased to be the managing director of Star East on 13th December, 2001 but remains as an executive director of Star East.
- Mr. Wong Kun To was appointed as the managing director of Star East on 13th December, 2001.

Having considered the nature, size and scope of the above business, the directors of the Company believe that there is unlikely to be any significant competition with the business of the Group.

Save as disclosed above, none of the directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 16th January, 2002 (the "Adoption Date"), a new share option scheme (the "New Scheme") was adopted by the Company to replace the share option scheme of the Company (the "Old Scheme") adopted on 24th January, 1992. The Old Scheme expired on 23rd January, 2002.

The Company operates the New Scheme for the purpose of providing incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company. The board of directors of the Company may in its absolute discretion, subject to the terms of the New Scheme, grant options to any employees (including directors) of the Company and its subsidiaries to subscribe for ordinary shares of the Company.

The maximum number of ordinary shares which may be issued upon the exercise of all options to be granted under the New Scheme and any other share option scheme(s) adopted by the Company must not in aggregate exceed 10% of the total number of issued ordinary shares of the Company as at the Adoption Date. The total number of ordinary shares available for issue under the New Scheme was 63,096,077 representing 10% of the aggregate number of issued ordinary shares of the Company as at the date of this report.

Unless approved by the shareholders of the Company in general meeting, the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted and to be granted (whether exercised, cancelled or outstanding) under the New Scheme and any other share option scheme(s) of the Company to any eligible person in any 12-month period expiring on the date of offer shall not exceed 1% of the total number of the Company's ordinary shares in issue from time to time.

SHARE OPTION SCHEMES *(continued)*

The period within which the options may be exercised will be determined by the Company at the time of grant. This period must expire in any event not later than the last day of the 10 year period after the Adoption Date. The New Scheme does not provide for any minimum period for which an option must be held before it can be exercised. Options may be granted at an initial payment of HK\$1.00 for each acceptance of grant of option(s). The directors of the Company shall specify a date, being a date not later than 30 days after (i) the date on which the offer of the options is issued, or (ii) the date on which the conditions for the offer are satisfied, by which the eligible person must accept the offer or be deemed to have declined it.

The exercise price of the options will be determined by the directors of the Company (subject to adjustments as provided in the rules of the New Scheme) which shall be at least the higher of (i) the nominal value of the ordinary shares of the Company; (ii) the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer, which must be a business day; and (iii) the average of the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer.

The New Scheme shall be valid and effective for a period of 10 years commencing after the Adoption Date, after which period no further options shall be granted.

Details of movements in the options to subscribe for ordinary shares of the Company are set out in the section headed "Directors' rights to acquire shares or debentures". Save as disclosed herein, no share options were granted, exercised, cancelled or lapsed under the New Scheme during the year.

Details of the outstanding share options are also set out in note 27 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, the register of substantial shareholders kept by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued ordinary share capital of the Company:

Name of shareholder	Number of ordinary shares of the Company held		Percentage of issued ordinary share capital
	Direct interest	Deemed interest	
Chan Kwok Keung, Charles <i>(note)</i>	–	219,681,911	34.8%
Chinaview International Limited ("Chinaview") <i>(note)</i>	–	219,681,911	34.8%
Galaxyway	219,681,911	–	34.8%

Note: Galaxyway was a wholly-owned subsidiary of Chinaview which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles. Chinaview and Dr. Chan Kwok Keung, Charles were both deemed to be interested in 219,681,911 ordinary shares in the Company held by Galaxyway.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued ordinary share capital of the Company as at 31st March, 2002.

POST BALANCE SHEET EVENT

Details of significant post balance sheet event are set out in note 41 to the financial statements.

RETIREMENT BENEFIT SCHEMES

Information on the Company's retirement benefit schemes is set out in note 36 to the financial statements.

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 existing shareholders.

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 Listing Rules except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws and the Audit Committee consisted of only one independent non-executive director for the period from 1st September, 2001 to 1st November, 2001.

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

During the year ended 31st March, 2002, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

AUDITORS

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

On behalf of the Board

Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 18th July, 2002