

The directors have pleasure in presenting to shareholders their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

The Company acted as an investment holding company and its subsidiaries were engaged in property investment and development, investment holding, securities trading, hotel operations and manufacture of boiler products.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

Details of the Company's principal subsidiaries, associates and a jointly controlled entity at 31st March, 2002 are set out in notes 50, 51 and 20 respectively 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.

The directors recommend a final dividend for the year ended 31st March, 2002 of 2 cents (2001: 2 cents) per share to shareholders whose names appear on the Company's Register of Members on 28th August, 2002 amounting to HK\$19,355,000. The final dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 28th August, 2002; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 28th August, 2002. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or before 3rd September, 2002. Dividends warrants or new shares certificates will be posted on 30th September, 2002.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 35 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 8.

INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 15 to the financial statements.

DIRECTOR'S REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements during the year in the properties under development of the Group are set out in note 17 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2002 are set out on pages 79 to 88 of the annual report.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 34 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

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

BORROWINGS AND INTEREST CAPITALISED

Obligations under finance leases and bank and other borrowings are set out in notes 29 and 30 to the financial statements respectively.

Interest capitalised by the Group during the year amounted to HK\$3,937,000.

ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's total bank and other borrowings as at 31st March, 2002 were approximately HK\$1,209 million (2001: HK\$1,011 million).

The directors consider that with the continuing support of the Group's bankers and lenders of the other loans in respect of the existing secured facilities, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

DIRECTORS

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

Executive Directors

Mr. Deacon Te Ken Chiu, *Chairman*

Dato' David Chiu, *Deputy Chairman*
and Chief Executive Officer

Mr. Steven Ying Wai Kwan, *Managing Director*

Mr. Craig Grenfell Williams

Mr. Dennis Chiu

Mr. Michael Chi Ning O'Young (resigned on 16th July, 2001)

Non-executive Directors

Madam Ching Lan Ju Chiu

Mr. Dick Tat Sang Chiu

Mr. Daniel Tat Jung Chiu

Mr. Kohei Ogawa

Independent Non-executive Directors

Datuk Kee Leong Chee

Mr. David Kwok Kwei Lo

In accordance with the provisions of the Company's Articles of Association, Datuk Kee Leong Chee, Madam Ching Lan Ju Chiu and Mr. Dennis Chiu shall retire by rotation and, being eligible, offer themselves for re-election.

The term of office for each of the non-executive directors is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

DIRECTOR'S REPORT

DIRECTORS' INTERESTS IN SHARES

(a) Shares

At 31st March, 2002, the interests of the directors in the 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") were as follows:

Name of Directors	Number of ordinary shares held		Total
	Personal interests	Corporate interests	
Deacon Te Ken Chiu	9,688,973	106,764,126 (<i>Note i</i>)	116,453,099
David Chiu	585,014	281,050,459 (<i>Note ii</i>)	281,635,473
Dennis Chiu	7,586	4,885,585 (<i>Note iii</i>)	4,893,171
Ching Lan Ju Chiu	1,108,018	–	1,108,018
Dick Tat Sang Chiu	770,697	–	770,697
Daniel Tat Jung Chiu	36,250	3,877,218 (<i>Note iv</i>)	3,913,468

Note i: These shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.

Note ii: These shares are held by Sumptuous Assets Limited, a company controlled by Dato' David Chiu.

Note iii: These shares are held by Chiu Capital N.V. and First Level Holdings Limited, both companies controlled by Mr. Dennis Chiu.

Note iv: These shares are held by First Level Holdings Limited and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

(b) Options

(i) *The Company's option scheme*

The Company had adopted a share option scheme (the "Previous Option Scheme") on 24th May, 1990 which expired on 11th June, 2000.

A new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 28th September 2000. Summary of the Share Option Scheme is set out as follows:

- 1) Purpose : To provide opportunity to the participants to have equity holdings in the Company, thus enabling them to participate in the Company's prosperity and contribute further to the success of the Company
- 2) Participants : Employee or executive of the Company and any member of its subsidiaries, including executive directors (but no non-executive directors)
- 3) Total number of shares available for issue : Number of shares which may be issued under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time
- 4) Maximum entitlement of each participant : Not exceed 25% of all shares which may be issued under the Share Option Scheme
- 5) Period within which the shares must be taken up under an option : No option will be exercisable earlier than one year nor later than four years after it is granted
- 6) Amount payable on acceptance of an option : HK\$10.00 payable to the Company
- 7) The basis of determining the exercise price : The higher of the nominal value of a share and 80% of the average of the closing prices on the Stock Exchange for the 5 business days immediately preceding the date of grant of an option.
- 8) The remaining life of the Share Option Scheme : Valid until 28th September, 2010 unless otherwise terminated under the terms of the Share Option Scheme

DIRECTOR'S REPORT

Note: the Share Option Scheme will be terminated on 28th August, 2002 subject to shareholders' approval at the annual general meeting to be held on the same date.

Mr. Michael Chi Ning O' Young had personal interests in share options under the Previous Option Scheme to subscribe for 3,000,000 shares in the Company at an exercise price of HK\$1.80 per share, exercisable from 8th October, 1998 to 7th October, 2001. The Option was granted to Mr. Michael Chi Ning O' Young on 8 October 1997 and the vesting period of the share options is from the date of grant until the commencement of the exercise period. Mr. Michael Chi Ning O' Young resigned as a director of the Company on 16th July, 2001 and the share options lapsed accordingly.

Except as disclosed above, during the year under review, no option was granted, exercised or lapsed.

(ii) *The option Scheme of the Company's subsidiary*

New China Homes, Ltd. ("NCH") has adopted a 1999 Stock Option and Restricted Stock Purchase Plan (the "Option Plan"). It is intended that options to purchase an aggregate of 600,000 common shares in NCH ("NCH Shares") will be granted under the Option Plan. The Option Plan is administered by the compensation committee of the Board of NCH. Summary of the Option Plan are as follow:

- 1) Purpose : To attract and retain qualified personnel, to provide additional incentives to the employees, officers and advisers and to promote the success of the business.
- 2) Participants : Employees, officers and executive directors of NCH or any of its subsidiaries
- 3) Total number of shares available for issue : Number of shares NCH which may be issued shall not exceed 10% of the total number of NCH Shares from time to time outstanding
- 4) Maximum entitlement of each participant : Not exceed 25% of total number of NCH shares
- 5) Period within which the shares must be taken up under an option : Each option may be exercised in accordance with the terms of the Stock Option Plan at any time during a period to be determined, such period of time, however, shall not exceed 10 years from the date on which it is granted
- 6) Amount payable on acceptance of an option : To be determined from time to time
- 7) The basis of determining the exercise price : The exercise price of the incentive stock options and non-statutory stock options must be at least 100% and 85% of the fair market value of the NCH Shares on the date of grant of option.

- 8) The remaining life of : Shall be in effect for 10 years commencing 10th August 1999 and the Option Plan may terminate at any time by the NCH board.

No options have been granted under the Option Plan since its adoption.

(c) Shares in associated corporations

As at 31st March, 2002, the interests of the Directors in the share capital of the Company's associated corporations were as follows:

Name of Directors	Name of associated corporation	Number of ordinary shares held
Deacon Te Ken Chiu	Far East Technology International Limited	110,926,800 <i>(Note i)</i>
Ching Lan Ju Chiu	Far East Technology International Limited	6,110,000
David Chiu	Oi Tak Enterprises Limited	250,000
David Chiu	Libran Star (M) Sdn. Bhd.	125,000
Dennis Chiu	Far East Technology International Limited	47,010,200 <i>(Note ii)</i>
Daniel Tat Jung Chiu	Far East Technology International Limited	41,400,000 <i>(Note ii)</i>

Note i: Include 6,110,000 shares held by Madam Ching Lan Ju Chiu, the spouse of Mr. Deacon Te Ken Chiu.

Note ii: Include 30,400,000 shares held by Cape York Investments Limited, a company beneficially owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.

Other than disclosed above, none of the Directors nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract 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.

MANAGEMENT AND SERVICE CONTRACTS OF DIRECTORS

None of the Directors of the Company has a contract of service with the Company or any of its subsidiaries not terminable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTOR'S REPORT

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain Directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2002.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$875,550.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 47 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

The aggregate turnover attributable to the Group's five largest customers was less than 30% of total turnover.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31st March, 2002 was approximately 1,500.

Employees are remunerated according to nature of jobs and market conditions. The Group has not adopted any training scheme for the employees during the year.

Details of retirement benefits scheme are set out in note 49 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2002 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.

AUDITORS

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association of the Company and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

On behalf of the Board

David Chiu

Deputy Chairman and Chief Executive Officer

Hong Kong, 24th July, 2002