

Report of the Directors

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

Principal activities

The principal activity of the Company is strategic investment holding. The principal activities of the Company's principal subsidiaries and associates are set out in notes 16 and 17 to the financial statements, respectively. There were no significant changes in the nature of the Group's principal 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 5 to the financial statements.

Results

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 64.

Summary of financial information

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below. The amounts for each year in the five year summary have been adjusted for the effects of the retrospective changes in accounting policy affecting the recognition of negative goodwill arising from the acquisition of associates and the recognition of dividend income from an associate as detailed in note 2 to the financial statements. The effects of these changes in accounting policy are summarised as follows:

- (i) Prior year adjustments have been made to include the recognition of negative goodwill for the years ended 31 March 2001 and 2000 of HK\$36,030,000 and HK\$9,600,000, respectively, within the associates section, rather than within loss from operating activities, on the face of the profit and loss account; and
- (ii) Prior year adjustments have been made to increase the Group's interest in associates and to decrease the Group's current assets as at 31 March 2001 by HK\$15,929,000, which represented the 2000 proposed final dividends declared and approved by an associate of the Company after 31 March 2001 (note 17 to the financial statements).

Summary of financial information (continued)**RESULTS**

	Year ended 31 March				
	2002 HK\$'000	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000	1998 HK\$'000
TURNOVER	287	7,603	19,124	187,798	156,029
LOSS FROM OPERATING ACTIVITIES	(37,948)	(72,801)	(71,383)	(225,887)	(42,632)
Finance costs	(24,171)	(31,952)	(13,519)	(9,720)	(5,127)
Share of profits less losses of associates	(115,257)	(496,108)	111,980	-	-
Negative goodwill recognised	-	36,030	9,600	-	-
Provision for impairment in value of interests in associates	(171,231)	-	-	-	-
PROFIT/(LOSS) BEFORE TAX	(348,607)	(564,831)	36,678	(235,607)	(47,759)
Tax	687	761	868	(955)	22
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(347,920)	(564,070)	37,546	(236,562)	(47,737)
Minority interests	-	-	-	22,146	10,772
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(347,920)	(564,070)	37,546	(214,416)	(36,965)

Summary of financial information (continued)**ASSETS AND LIABILITIES**

	2002 HK\$'000	2001 HK\$'000 (Restated)	31 March		1998 HK\$'000
			2000 HK\$'000	1999 HK\$'000	
FIXED ASSETS	55	74	19,448	29,411	33,734
LAND HELD FOR DEVELOPMENT	60,000	80,000	91,000	-	-
OTHER INTANGIBLE ASSETS	-	-	-	-	2,577
INTERESTS IN ASSOCIATES	271,477	564,696	1,385,763	-	-
INVESTMENTS IN SECURITIES	-	-	35,999	14,222	14,222
LONG TERM DEPOSIT	-	26,139	-	-	-
GOODWILL	-	-	-	3,604	4,534
OTHER NON-CURRENT ASSETS	-	-	-	-	358
CURRENT ASSETS	32,171	32,754	127,371	48,398	136,297
TOTAL ASSETS	363,703	703,663	1,659,581	95,635	191,722
CURRENT LIABILITIES	40,874	33,396	124,871	93,628	114,146
LONG TERM OTHER LOANS	172,698	180,727	120,000	-	-
LONG TERM PORTION OF FINANCE LEASE PAYABLES	-	-	-	133	805
TOTAL LIABILITIES	213,572	214,123	244,871	93,761	114,951
MINORITY INTERESTS	-	-	-	-	22,146
	213,572	214,123	244,871	93,761	137,097
NET ASSETS	150,131	489,540	1,414,710	1,874	54,625

Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 14 to the financial statements.

Land held for development

Details of the Group's land held for development are set out in note 15 to the financial statements.

Share capital, share options, warrants and share premium

Details of movements in the Company's share capital, share options, warrants and share premium during the year, together with the reasons therefor, are set out in notes 25 and 26 to the financial statements.

Reserves/(deficit)

Details of movements in the reserves/(deficit) of the Company and the Group during the year are set out in note 26 to the financial statements.

Distributable reserves

As at 31 March 2002, the Company's reserves available for distribution, calculated in accordance with the Companies Law (Revised) of the Cayman Islands amounted to HK\$92,063,000.

Major customers and suppliers

The Group's revenue is derived from its investments. The Group, therefore, has no major customers or major suppliers requiring disclosure.

Directors

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

Executive directors:

Mr. Chiu Tao (<i>Chairman</i>)	(appointed on 12 June 2002)*
Mr. Chiu Kong	(appointed on 6 June 2002)
Mr. Law Wing Kit, Stephen	(resigned on 12 June 2002)
Mr. Chang Wang	(resigned on 12 June 2002)

Non-executive director:

Mr. Chiu Tao	(resigned on 12 June 2002)*
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Independent non-executive directors:

Mr. Wu Wing Kit
Mr. Tan Shao Hua
Mr. Lai Hin Wing, Henry

* Mr. Chiu Tao resigned as non-executive director on 12 June 2002 and was appointed as executive director and Chairman of the Company on the same date.

In accordance with articles 91 and 99 of the Company's articles of association, Mr. Chiu Kong and Mr. Wu Wing Kit will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive directors and the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

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 of compensation, other than statutory compensation.

Directors' interests in contracts

Save as disclosed in note 30 to the financial statements, no director 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.

Directors' remuneration and the five highest paid employees

Details of the remuneration of the directors and of the five highest paid employees in the Group are set out in note 9 to the financial statements.

Directors' interest in shares

At 31 March 2002, the interests of a director and his associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Director	Number of ordinary shares of the Company held (Corporate interests)
Mr. Chiu Tao (Note)	<u>141,382,000</u>

Note:

These shares are held by New Excellence Holdings Limited in which Mr. Chiu Tao maintains a beneficial interest of 65%.

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

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 spouses 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.

Share option scheme

Pursuant to a share option scheme adopted by the Company on 12 January 1994 (the "Scheme"), the directors of the Company were authorised, on or before 11 January 2004, at their discretion to invite any employees, including the executive directors of the Company or any of its subsidiaries, to take up options to subscribe for shares of the Company. The subscription price will be the higher of not less than 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the offer of the option or the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in nominal amount, 10% of the issued shares of the Company from time to time which have been duly allotted and issued. The maximum number of shares in respect of which options may be granted to any one employee or director may not exceed 25% of the aggregate number of shares in respect of which options are issued and issuable under the Scheme. At 31 March 2002, the number of shares issuable under share options granted under the Scheme was 13,050,000, which represented approximately 0.2% of the Company's shares in issue.

Share option scheme (continued)

A summary of the movements in share options granted under the Scheme during the year is as follows:

Name of director	Number of share options outstanding at 1 April 2001 and 31 March 2002	Date of granting of share options (*)	Exercise price of share options (**)	Exercise period of share options	Market price of Company's shares at offer date of share options (***)
Mr. Chiu Tao	<u>13,050,000</u>	23 April 1999	HK\$0.10	23 April 2000 to 22 April 2003	HK\$0.102

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the offer of the share options is the closing price of the Company's shares on the Stock Exchange on the trading day immediately prior to the date of the offer of the share options.

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, the following person had an interest in 10% or more of the issued share capital of the Company which was recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
Dr. Ho Hung Sun, Stanley	<u>935,750,000</u>	<u>16%</u>

Save as disclosed above, no person registered an interest in the share capital of the Company during the year that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Connected transactions and related party transactions

Details of the connected transactions and related party transactions of the Group are set out in notes 7, 29 and 30 to the financial statements.

Purchase, redemption or sale of listed securities of the Company

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

Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

Corporate Governance**The Board of Directors**

The full Board met 3 times during the accounting year ended 31 March 2002. Directors' attendance was as follows:

<i>Name of Directors</i>	<i>No. of Board Meetings Attended</i>
Mr. Chiu Tao	1
Mr. Law Wing Kit, Stephen	3
Mr. Chang Wang	3
Mr. Wu Wing Kit	3
Mr. Tan Shao Hua	2
Mr. Lai Hin Wing, Henry	3

Executive Committee

The Company established an executive committee since 14 February 2000 pursuant to article 107 of the Company's articles of association for the purposes of dealing with the day to day routine operations of the Group more efficiently and effectively. 3 meetings of the executive committee were held during the accounting year ended 31 March 2002.

Investment Committee

The Company established an investment committee on 14 February 2000 for the purposes of dealing with the day to day management and operation of the Group's investment portfolio more efficiently and effectively. The investment committee has met 1 time during the accounting year ended 31 March 2002.

Corporate Governance (continued)

Audit Committee

The Company established an audit committee on 14 February, 2000 with reference to "A Guide For The Formation Of An Audit Committee" issued by the Hong Kong Society of Accountants and in accordance with paragraph 14 of the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. As at the date of this report, the majority of the audit committee members comprises of the 3 independent non-executive directors. The audit committee has met 4 times during the accounting year ended 31 March 2002.

Code of Best Practice

The Company had complied throughout the accounting year ended 31 March 2002 with the Code, except that the non-executive directors and the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation in accordance with the Company's articles of association.

Auditors

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

On behalf of the Board

Chiu Tao

Chairman

Hong Kong, 29 July 2002