

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies and partnerships are shown on Notes 9, 10 and 12. An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations is set out in Note 2 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The consolidated profit and loss account for the year ended 31 March 2002 and the balance sheet for the Group and the Company as at 31 March 2002 are set out in the financial statements on pages 17 to 55.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2002 (2001: Nil). No interim dividend for the 6 months ended 30 September 2001 had been declared.

SHARE CAPITAL AND RESERVES

Details of movements in issued share capital and reserves during the year are set out in Note 16 and Note 17 to the financial statements.

FIXED ASSETS

Details of movements in fixed assets are set out in Note 8 to the financial statements.

SUBSIDIARIES

Details of the subsidiary companies as at 31 March 2002 are set out in Note 12 to the financial statements.

BORROWINGS

Details of borrowings are set out in Note 15 to the financial statements.



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INTEREST CAPITALISED

No interest expense was capitalised during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers being trade customers and tenants of the Group accounted for 28% of the Group's combined turnover on IT services and property rental & management, the largest trade customer accounting for 7%. The five largest suppliers of goods and services accounted for less than 42% of the Group's expenditure on goods and services.

DIRECTORS

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

Mrs. Rossana WANG GAW

Mr. Goodwin GAW

Mr. Kenneth GAW

Ms. Jane Kwai Ying TSUI

Dr. Charles Wai Bun CHEUNG, J.P.

The Hon Bernard Charnwut CHAN

Mr. Arnold Tin Chee IP

In accordance with the Company's Bye-Laws, Mr. Kenneth Gaw and Ms. Jane Kwai Ying Tsui retire, and being eligible, offer themselves for re-election.

Neither Mr. Kenneth Gaw nor Ms. Jane Kwai Ying Tsui has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mrs. Rossana WANG GAW (*Chairman*)

Aged 56. Appointed to the Board in 1980 and has been Chairman of the Group since February 1999. She is the Managing Director of Pioneer Estates Limited. She is responsible for the management of the real estate sector in the Group. Mrs. Gaw has eight years of experience in the garment manufacturing industry and over 20 years of experience in real estate investments. Mrs. Gaw is a graduate of the University of California, Berkeley, and holds a degree in Business Administration.



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Mr. Goodwin GAW (*Vice-Chairman*)

Aged 33. Appointed to the Board in 1994 and became Vice Chairman of the Group in August 1996. Mr. Gaw is also the Chairman & CEO of Global Gateway, L.P.. He graduated with a Bachelor of Science degree in Civil Engineering from the University of Pennsylvania, a finance degree from Wharton Business School and a Master of Science degree in Construction Management from Stanford University. He is the son of Mrs. Rossana Wang Gaw.

Mr. Kenneth GAW (*Managing Director*)

Aged 31. Appointed to the Board in 1994 and became Managing Director of the Group in February 1999. Mr. Gaw is also a director of Siam Food Products Public Company Limited and was director and Deputy Chairman of Wah Kwong Shipping Holdings Limited until the company was privatised in July 2000. He graduated with a Bachelor of Science degree in Applied Mathematics and Economics from Brown University (Magna Cum Laude). Before joining the Group, Mr. Gaw worked in the structured finance group at Goldman, Sachs & Co. in New York and in corporate finance at Goldman Sachs (Asia) Limited in Hong Kong. Mr. Gaw was the Chairman of Young Entrepreneurs' Organisation Hong Kong Chapter for 2001-2002. He is the son of Mrs. Rossana Wang Gaw.

Ms. Jane Kwai Ying TSUI (*General Manager and Company Secretary*)

Aged 58. Appointed to the Board in 1984. She is responsible for the day to day operation of the Group, including general administration. She is also responsible for all company secretarial matters of the Group. Ms. Tsui previously worked in the banking sector for about three years before joining the Group in 1980.

Independent non-executive Directors

Dr. Charles Wai Bun CHEUNG, J.P.

Aged 66. Appointed to the board in 1986. He is the Group Chief Executive and Executive Deputy Chairman of Mission Hills Group. He is a non-executive director of both K. Wah International Holdings Limited and K. Wah Construction Materials Limited. Dr. Cheung is also a non-executive director of Prime Investments Holdings Limited. He is a director of Global Business Bank, a publicly listed bank in Philippines. Dr. Cheung holds an honorary doctor degree, a master degree and a bachelor of science degree in business administration. He had been in the banking business for over twenty-two years and held senior management positions. Dr. Cheung was a former director and adviser of the Tung Wah Group of Hospitals. He is a Vice Chairman of Guangdong Province Golf Association.



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The Hon Bernard Charnwut CHAN

Aged 37. Appointed to the Board in 1994, is the youngest member of the Legislative Councillor of the Hong Kong Special Administrative Region. A graduate of Pomona College in California, U.S.A., he holds the positions of Deputy Managing Director of Asia Financial Group and Executive Director of Asia Insurance and Asia Commercial Bank. He serves as the Chairman of the Standing Committee on Disciplined Services Salaries and Conditions of Service; a Director of The Hong Kong Mortgage Corporation Ltd. and a Council Member of Lingnan University. He is also a member of the Mandatory Provident Fund Schemes Advisory Committee, the Process Review Panel of Securities & Futures Commission, the Hong Kong Government's Business Advisory Group, the Hong Kong Sports Development Board, the Fight Crime Committee, the Elderly Commission and the Committee on Financial Assistance for Family Members of Those Who Sacrifice Their Lives to Save Others. In addition, he serves as the Chairperson of The Hong Kong Council of Social Service and the Vice Chairperson of Community Investment & Inclusion Fund Committee.

Mr. Arnold Tin Chee IP

Aged 39. Appointed to the Board in 1999. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong. He is also a director of Altus Asset Management Limited, an adviser specializing in private equity investments particularly in Hong Kong and China. Between 1989 and March 1997, Mr. Ip worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Company Limited thereafter until January 2001 specializing in a broad range of corporate finance and advisory activities for companies based in Hong Kong and China.

Mr. Ip's work focuses on fund raising for listed and unlisted companies including development capital raising for unlisted companies.

From 1984 to 1988 Mr. Ip worked at Arthur Andersen & Co in London specializing in taxation and qualified as a chartered accountant in 1988.

Mr. Ip is a graduate of Trinity College, Cambridge University.



DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 2002, the interests of the directors in the share capital of the Company, as recorded in the register maintained by the Group pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

| Name of Directors | Personal | Family | Corporate | Other | Total | Number of share options* granted and remained outstanding |
|------------------------|-----------|--------|-------------------------|---------------|-------------|---|
| Rossana Wang Gaw | – | – | 15,089,732 [#] | <i>Note 1</i> | 138,238,433 | 8,172,564 |
| Goodwin Gaw | – | – | – | – | – | 17,187,428 |
| Kenneth Gaw | 1,734,750 | – | 8,122,000 ^{##} | <i>Note 2</i> | 36,314,524 | 17,187,428 |
| Jane Kwai Ying Tsui | 600,750 | – | – | – | 600,750 | 4,552,961 |
| Charles Wai Bun Cheung | – | – | – | – | – | – |
| Bernard Charnwut Chan | – | – | – | – | – | – |
| Arnold Tin Chee Ip | – | – | – | – | – | – |

Notes:

1. Family trust of which members of the family of Mrs. Rossana Wang Gaw are amongst the beneficiaries held an aggregate of 123,148,701 shares.
2. Family trust of which Mr. Kenneth Gaw is a beneficiary held an aggregate of 26,457,774 shares.

* The relevant share options were granted pursuant to the share option scheme of the Company approved at the Company's special general meeting held on 3 September 1996.

[#] Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,089,732 Shares.

^{##} Mr. Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,122,000 Shares.

Save as disclosed above, none of the directors, chief executives or their associates had any interests in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 of Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.



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SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 31 March 2002, according to the register kept by the Company under Section 16(1) of the SDI Ordinance and so far as was known to the directors, the following person, other than the directors, was interested or taken or deemed to be interested in 10 percent or more in nominal value of the issued share capital of the Company:

| Name of shareholder | Number of shares | Percentage of the issued share capital |
|--------------------------|------------------|--|
| Forward Investments Inc. | 174,277,635 | 23.25% |

SHARE OPTION SCHEME

On 3 September 1996, a Share Option Scheme (the "Scheme") was approved by the shareholders of the Company, under which the directors of the Company may, at its discretion, offer any employee (including an executive director) of the Company options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The summary of terms and particulars of outstanding options under the Scheme are made pursuant to the requirements as contained in Chapter 17 of the Listing Rules of the Stock Exchange.



Summary of the Scheme

(a) *Purpose of the Scheme*

To provide the participants to subscribe for ordinary shares in the Company ("Shares") with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole.

(b) *Participants of the Scheme*

The Board may at its discretion, grant to any employee (including any executive director) of the Company options to subscribe for the Company's shares.

(c) *Maximum number of shares available for issue under the Scheme*

The maximum number of the shares in respect of which options may be granted under the Scheme will be such number of shares, when aggregated with shares already subject to any other share option schemes of the Company, shall not exceed 10% of the issued share capital of the Company. The Scheme expired on 2 September 2001 and no option shall be granted under the Scheme.

(d) Maximum entitlement to any one participant

Under the Scheme, no options may be granted to any one employee which if exercised in full would result in the total number of the Company's shares already issued and issuable to him under all the options granted to him exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

(e) Period and payment on acceptance of options

Under the Scheme, the offer of an option to acquire shares must be accepted in writing in such manner as the Board of Directors may prescribe within 2 days from the date of grant and upon payment of a nominal consideration of HK\$1 in total by the participant to the Company.

(f) Period within which the shares must be taken up under an option

Within ten years from the date of grant or such shorter period as the Board of Directors will specify at the time of grant.

(g) The basis of determining the exercise price

The exercise price of the options is determined by the Board of Directors and will not be less than the greater of (i) an amount equal to 80% of the average closing price of the Company's share as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant (the "average closing price") and (ii) the nominal amount of the Company's share.

(h) Remaining life of the Scheme

The Scheme expired on 2 September 2001.

On 30 August 2001, an aggregate number of 1,833,666 share options with exercisable price at HK\$0.65 were granted to employees of the Company pursuant to the Scheme. The average closing price of the Company's share immediately before the date of grant was HK\$0.35.



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As at 31 March 2002, the Company had outstanding options to subscribe for an aggregate of 48,926,280 shares in the Company. Summary of the outstanding options is as follows:

| No. of options* | Exercise price* | Date of grant | Exercise period |
|-------------------------------|-----------------|-----------------|------------------------------------|
| <i>To executive directors</i> | | | |
| 21,626,564 | HK\$1.940 | 24 October 1996 | 24 October 1996 to 23 October 2006 |
| 25,473,817 | HK\$1.581 | 6 March 1997 | 6 March 1997 to 5 March 2007 |
| <hr/> | | | |
| 47,100,381 | | | |
| <hr/> | | | |
| <i>To employees</i> | | | |
| 1,659,607 | HK\$0.653 | 30 August 2001 | 30 August 2001 to 29 August 2006 |
| 166,292 | HK\$0.653 | 30 August 2001 | 30 August 2001 to 29 August 2004 |
| <hr/> | | | |
| 1,825,899 | | | |
| <hr/> | | | |



* Adjustments were made during the year in accordance with the Share Option Scheme to both the exercise prices and the number of options consequent on shares repurchased during the year. No options were exercised during the year.

DIRECTORS' INTEREST IN CONTRACTS

The directors had no interest, direct or indirect, either during the financial year or at the end thereof in any significant contracts to which the Company or its subsidiaries was a party.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda, the jurisdiction in which the Company is incorporated.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, the Company repurchased on the Stock Exchange a total of 3,188,000 shares of HK\$0.10 each of the Company at an aggregate consideration of HK\$975,869. Repurchased shares were cancelled subsequent to the repurchases. Details of the shares repurchased are set out below:

| Month of repurchase | Number of shares | Price per share | | Aggregate consideration |
|---------------------|------------------|-----------------|--------|-------------------------|
| | | Highest | Lowest | |
| February 2002 | 2,104,000 | 0.320 | 0.270 | 639,200 |
| March 2002 | 1,084,000 | 0.310 | 0.305 | 336,669 |
| | 3,188,000 | | | 975,869 |

Save as aforesaid, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed shares during the year.

AUDIT COMMITTEE

During the year, the Audit Committee held meetings twice to discuss with management and the external auditors the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters. The members of the Audit Committee are Dr. Charles Wai Bun Cheung, J.P., The Hon Bernard Charnwut Chan and Mr. Arnold Tin Chee Ip.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange, except that the independent non-executive directors have no specific term of office, but 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.

AUDITORS

The financial statements have been audited by Fan, Mitchell & Co. who retire, and being eligible, offer themselves for re-appointment.

On Behalf of the Board
Rossana Wang Gaw
Chairman

Hong Kong, 18 July 2002

