

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The activities of its principal subsidiaries, associates and jointly controlled entities as at 31st March, 2002 are set out in note 47 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st March, 2002 are set out in the consolidated income statement on page 25 of the annual report and in the accompanying notes to the financial statements.

An interim dividend of 1.0 cent per share amounting to HK\$10,246,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of 1.0 cent per share in scrip form with a cash option to shareholders whose names appear on the register of members on 4th October, 2002, amounting to approximately HK\$10,367,000. Details of the dividends are set out in note 11 to the financial statements.

RESERVES

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2002, the five largest customers and the single largest customer of the Group accounted for approximately 71% and 17% of the turnover of the Group, respectively. The aggregate purchases attributable to the five largest suppliers of the Group during the year were less than 30% of the purchases of the Group.

As far as the directors are aware, none of the directors, their associates, within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"), 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 customers of the Group for the year ended 31st March, 2002.

LIQUIDITY AND CAPITAL RESOURCES

The Group currently maintains a variety of credit facilities to meet its working capital requirements. As at 31st March, 2002, the Group's total borrowings amounted to approximately HK\$1,295,849,000 with approximately HK\$468,267,000 repayable within one year, approximately HK\$104,101,000 repayable between one to two years, approximately HK\$459,521,000 repayable between two to five years and approximately HK\$263,960,000 repayable after five years. Cash, bank balances and deposits at 31st March, 2002 amounted to approximately HK\$601,690,000. The Group's current ratio was 1.2 and the long term debt to equity ratio was 0.3 as at 31st March, 2002.

INVESTMENT PROPERTIES

The investment properties of the Group were revalued on 31st March, 2002 by an independent professional valuer on an open market value basis. The resulting deficit on revaluation of the properties amounting to approximately HK\$31,130,000 has been charged to the income statement.

Details of these and other movements in the investment properties of the Group during the year are set out in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$32,248,000 on property, plant and equipment to expand and upgrade its operating capacity.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

MAJOR PROPERTIES

Particulars regarding major properties of the Group as at 31st March, 2002 are set out on page 85 of the annual report.

SHARE CAPITAL AND WARRANTS

A bonus issue of warrants ("2003 Warrants") was made on the basis of one 2003 Warrant for every five shares of the Company held on 8th February, 2002. Each 2003 Warrant entitles its holder to subscribe in cash at a price of HK\$0.4 for one new share of the Company, at any time from the date of issue to 29th August, 2003.

Details of these and other movements in the issued share capital and the warrants of the Company during the year are set out in notes 32 and 33 to the financial statements, respectively.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted on 1st September, 1993 for recognition of past services contributed by the eligible directors and employees, and will expire on 31st August, 2003. Under the Scheme, the directors of the Company may at their discretion grant options to any directors or full time employees of the Company or any of its subsidiaries, to subscribe for shares in the Company.

At 31st March, 2002, the number of shares in respect of which options had been granted and remaining outstanding under the Scheme was 54,449,206, representing 5.25% of the shares of the Company in issue at that date. The maximum number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the issued share capital of the Company from time to time.

No option may be granted to any individual under the Scheme which, if exercised in full, would result in the total number of shares of the Company already issued and issuable under all the options previously granted and to be granted to him which are for the time being subsisting and unexercised exceed 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

The offer of a grant of options may be accepted within 28 days from the date of offer of options, upon payment of a consideration of HK\$1.00 by the grantee. In each grant of options, the directors of the Company may at their discretion determine the specific exercise period and in any event such period of time shall not exceed a period of three years commencing on the expiry of six months after the date of acceptance of options. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the shares of the Company, and 80% of the average closing prices of the shares of the Company on the five trading days immediately preceding the date of offer of options.

Details of the Company's outstanding share options which were all granted to the directors of the Company at beginning and end of the year were as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of shares of the Company to be issued upon exercise of the share options
Chan Kwok Keung, Charles	18th December, 1998	0.6048	9,587,301
Lau Ko Yuen, Tom	18th December, 1998	0.6048	9,587,301
	17th December, 1999	0.5552	5,000,000
Chan Fut Yan	18th December, 1998	0.6048	9,587,301
	17th December, 1999	0.5552	5,000,000
Chau Mei Wah, Rosanna	18th December, 1998	0.6048	9,587,301
	17th December, 1999	0.5552	6,100,000

The outstanding options can be exercised at any time during a period of three years commencing on the expiry of six months after the date of acceptance of the options.

No share options were granted or exercised 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	<i>(Chairman)</i>
Lau Ko Yuen, Tom	<i>(Deputy Chairman)</i>
Chan Fut Yan	<i>(Managing Director)</i>
Chau Mei Wah, Rosanna	
Cheung Hon Kit	<i>(appointed on 4th December, 2001)</i>

Non-executive directors

Cheung Ting Kau, Vincent *	
Kwok Shiu Keung, Ernest *	
Wong Kam Cheong, Stanley	<i>(resigned on 8th November, 2001)</i>
George Colin Magnus	<i>(resigned on 4th December, 2001)</i>
Fok Kin Ning, Canning	<i>(resigned on 7th December, 2001)</i>
Ip Tak Chuen, Edmond	<i>(resigned on 7th December, 2001 and also ceased to be alternate director to Fok Kin Ning, Canning on 7th December, 2001)</i>

* independent non-executive directors

In accordance with Clauses 87(1) and 87(2) of the Company's bye-laws, Mr. Cheung Ting Kau, Vincent retires by rotation, and is eligible for re-election, at the forthcoming annual general meeting.

In accordance with Clause 86(2) of the Company's bye-laws, Mr. Cheung Hon Kit retires, and is eligible for re-election, at the forthcoming annual general meeting.

The term of office of each non-executive director is the period from the date of appointment up to his retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the directors 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:

Name of director	Nature of interest	Number of shares of the Company held	Number of the 2003 Warrants held	Number of shares of the Company to be issued upon exercise of the share options of the Company
Chan Kwok Keung, Charles	Corporate interest (Note)	441,579,452	86,465,812	–
	Personal interest	–	–	9,587,301
Lau Ko Yuen, Tom	Personal interest	–	–	14,587,301
Chan Fut Yan	Personal interest	–	–	14,587,301
Chau Mei Wah, Rosanna	Personal interest	–	–	15,687,301
Cheung Hon Kit	Personal interest	400	80	–

Note: Dr. Chan Kwok Keung, Charles was deemed to be interested in 441,579,452 shares in the Company and 2003 Warrants for 86,465,812 shares in the Company by virtue of his shareholding in Chinaview International Limited. Galaxyway Investments Limited, a wholly-owned subsidiary of Chinaview International Limited, owned more than one-third of the issued ordinary share capital of ITC Corporation Limited ("ITC") which in turn owned the entire issued share capital of ITC Investment Holdings Limited ("ITC Investment"). Hollyfield Group Limited, a wholly-owned subsidiary of ITC Investment, owned these shares and 2003 Warrants.

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

Save as disclosed under the section headed "Share Options" 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 the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of directors of the Company in competing businesses 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	China Strategic Holdings Limited ("China Strategic") and its subsidiaries	Property business in Hong Kong and Mainland China	As the chairman and a substantial shareholder of China Strategic
	Star East Holdings Limited ("Star East") and its subsidiaries	Property business in Hong Kong and Mainland China	As a substantial shareholder of Star East
Lau Ko Yuen, Tom	China Strategic and its subsidiaries	Property business in Hong Kong and Mainland China	As an alternate director of China Strategic
	New World CyberBase Limited ("New World CyberBase") and its subsidiaries	Property business in Hong Kong	As a director of New World CyberBase
Chan Fut Yan	China Land Group Limited ("China Land") and its subsidiaries	Property business in Hong Kong and Mainland China	As the vice chairman of China Land
Chau Mei Wah, Rosanna	China Land and its subsidiaries	Property business in Hong Kong and Mainland China	As a director of China Land
	China Strategic and its subsidiaries	Property business in Hong Kong and Mainland China	As a director of China Strategic
	Star East and its subsidiaries	Property business in Hong Kong and Mainland China	As a director of Star East
Cheung Hon Kit	China Land and its subsidiaries	Property business in Hong Kong and Mainland China	As the executive vice chairman of China Land

The changes in details of the directors' interests in competing businesses previously disclosed in the annual report of the Company for the year ended 31st March, 2001 were set out below:

1. Dr. Chan Kwok Keung, Charles retired as a director of New World CyberBase on 29th August, 2001;
2. Mr. Lau Ko Yuen, Tom resigned as a director of China Strategic on 10th July, 2001 but he remains as an alternate director of China Strategic;
3. Ms. Chau Mei Wah, Rosanna resigned as the managing director of Star East on 13th December, 2001 but she remains as a director of Star East;
4. During the year, New World CyberBase disposed of certain of its subsidiaries of which Ms. Chau Mei Wah, Rosanna is a director;
5. Mr. Cheung Hon Kit was appointed as a director of the Company on 4th December, 2001; and
6. Mr. Fok Kin Ning, Canning, Mr. Ip Tak Chuen, Edmond, Mr. George Colin Magnus and Mr. Wong Kam Cheong, Stanley resigned as directors of the Company during the year.

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" below, 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.

CONNECTED TRANSACTIONS

During the year, the Group entered into the following transactions with ITC and its associates:

Name of company	Nature of transactions	Amount HK\$'000
Dreyer and Company Limited	Purchase of building materials and related installation works by the Group	882
	Rentals and related building management fee charged by the Group	156
ITC Management Limited	Rentals and related building management fee charged by the Group	77
Tung Fong Hung Finance (HK) Limited	Rentals and related building management fee charged by the Group	14

The above companies are associates, within the meaning of the Listing Rules, of ITC, a substantial shareholder of the Company. Dr. Chan Kwok Keung, Charles, Mr. Lau Ko Yuen, Tom, Mr. Chan Fut Yan, Ms. Chau Mei Wah, Rosanna and Mr. Cheung Hon Kit, directors of the Company, are also directors of ITC.

The independent non-executive directors confirm that the transactions were entered into by the Group in the ordinary course of its businesses and in accordance with the terms of the agreement, if any, governing such transactions.

In addition, the Group also advanced funds to a non-wholly owned subsidiary and an associate as follows:

- (a) As at 31st March, 2002, a subsidiary of the Company advanced approximately HK\$27,123,000 to Hamker Concrete Products Limited ("Hamker") which is 70% owned by the Group for financing its operations. Such advance was the only financial assistance given by Hamker's shareholders to Hamker, and is unsecured, has no fixed terms of repayment and is interest free except for an amount of approximately HK\$24,580,000 which bears interest at commercial rate; and
- (b) As at 31st March, 2002, the Group advanced approximately HK\$9,013,000 to Sino Grace Enterprises Limited ("Sino Grace") which is equally-owned by the Group and Mr. Cheung Hon Kit, a director of the Company. Such advance has been made in proportion to the Group's equity interest in Sino Grace, and is unsecured, interest free and has no fixed terms of repayment.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed under the section headed "Directors' Interests In Securities" above, the Company has not been notified of any other interests representing 10% or more in the issued share capital of the Company as at 31st March, 2002 as shown on the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance and so far as is known to the directors of the Company.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in notes 5(b) and 41 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 although there are no restrictions against such rights under the laws of Bermuda.

CORPORATE GOVERNANCE

In the opinion of the directors, 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 Listing Rules.

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

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

DONATIONS

During the year, the Group made charitable and other donations of approximately HK\$33,000.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years. A resolution will be submitted to the 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