

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no 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 AND DIVIDENDS

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 13 to 42.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 45 to 46.

This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on pages 43 to 44.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 22 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 the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Report of the Directors *(continued)*

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for distribution amounted to HK\$60,035,000, calculated in accordance with the laws of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 99% of the Group's turnover was derived from securities trading on recognised stock exchanges for which the ultimate buyers could not be identified. Accordingly, turnover attributable to the five largest customers is not presented.

Other than the purchase of quoted investments on recognised stock exchanges in which the respective sellers could not be identified, there were no other material purchases during the year. Accordingly, the purchases attributable to the five largest suppliers are not presented.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Eric Edward Hotung

Ho Shu Wah

(Alternate director to Eric Edward Hotung)

Independent non-executive directors:

Prince Felix de Bar

Reynaldo A. de Dios

Wong Leung Wai

Chui Man Lung Everett

(Appointed on 27 March 2002)

Wu Wai Leung Danny

(Appointed on 27 March 2002)

Lawrence S. Yee

(Resigned on 26 March 2002)

Subsequent to the balance sheet date, on 16 April 2002, Mr. Wong Leung Wai resigned as a director of the Company.

In accordance with articles 99 and 116 of the Company's bye-laws, Mr. Eric Edward Hotung, Mr. Chui Man Lung Everett and Mr. Wu Wai Leung Danny will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors *(continued)*

Independent non-executive directors are not appointed for a specific term because all directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

BIOGRAPHIES OF DIRECTORS

Biographical details of the directors of the Company are set out on page 6 of the Annual Report.

PERSONNEL

It is the policy of the Company to contract out to external experts certain of the technical aspects of property management, thus obviating the need for a large workforce of permanent employees. Accordingly, the staff of the Company are mostly employed at the principal office and there was a total of 7 employees as at 31 March 2002, excluding external consultants.

Staff salaries are reviewed annually. Bonuses are awarded based upon individual performance.

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 notes 19, 21, 27 and 28 to the financial statements, no director had a material interest 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' INTERESTS IN SHARES

At 31 March 2002, the interests of the directors and their 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:

	Number of shares held and nature of interest
Name of director	Personal interest
Eric Edward Hotung	<u>29,952,608</u>

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

Report of the Directors *(continued)*

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 spouse 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.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, the following interests of 10% or more of the share capital of the Company were 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 the Company's share capital
Hotung Investment (China) Limited	16,171,000	15
Genesee Company Limited	15,161,000	14

Save as disclosed above, no person or corporation, other than Mr. Eric Edward Hotung whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Eric Edward Hotung, the Chairman of the Company, is also a director of Consumers' Credit Collections Services Limited ("CCCL") and Hotung Investment (China) Limited ("HICL"), and Mr. Ho Shu Wah, an alternate director to Mr. Eric Edward Hotung, is also a director of CCCL.

The nature of business of CCCL is property investment and management and that of HICL is investment holding and securities trading. Despite the similarities in nature of business with that of the Company, the volume of business of CCCL and HICL is insignificant compared with that of the Company. CCCL and HICL share offices with the Company. However, separate accounts are maintained for the Company, CCCL and HICL.

The board of directors is of the view that the Company is capable of carrying on its business independently of and at arm's length from the business of CCCL and HICL.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 27 to the financial statements.

Report of the Directors (continued)

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with 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 of Hong Kong Limited, throughout the accounting year covered by the annual report, except that the independent non-executive directors of the Company 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 bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the five independent non-executive directors of the Company.

AUDITORS

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

ON BEHALF OF THE BOARD

Eric Edward Hotung

Chairman

Hong Kong,
26 July 2002