



I present to shareholders the annual report of the Group for the year ended 31st March, 2001.

BUSINESS REVIEW AND OUTLOOK

RESULTS AND FINANCIAL HIGHLIGHTS

The results of the Group during the year ended 31st March, 2001 are summarised below:

- Consolidated turnover from continuing operations was HK\$63.1 million, a decrease of 43.0% as compared to the last corresponding year of HK\$110.8 million. The decrease in turnover was mainly due to decrease in the sale of securities and other investments.
- Profit from operations decreased by 88.3% to HK\$15.0 million, as compared to the last corresponding year of HK\$128.8 million. The decrease in profit from operations was mainly due to decrease in profit derived from the sale of securities and other investments.
- Consolidated loss attributable to shareholders was HK\$542.4 million, as compared with the profit of HK\$553.8 million for the last corresponding year mainly due to the loss arising from the disposal of interest in Tung Fong Hung (Holdings) Limited and share of losses of associates.
- Basic loss per ordinary share for the year was HK\$1.07 (2000: earnings per share of HK\$1.16).
- Current ratio was 2.03, an increase of 42.0% as compared to the last corresponding year of 1.43.
- As a result of the loss attributable to shareholders of HK\$542.4 million, total assets of the Group dropped by 4.0% to HK\$2,414.8 million and shareholders' funds decreased by 5.7% to approximately HK\$1,611.9 million, as compared with the total assets and shareholders' funds as at 31st March, 2000.

FINAL DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend to ordinary shareholders for the year ended 31st March, 2001 (2000: Nil).

Preference share dividend on the 267,980,000 compulsorily convertible cumulative preference shares at HK\$0.069 per share per annum has not been accrued for the year under review.

REVIEW OF OPERATIONS

During the year ended 31st March, 2001, the principal business of the Group was the holding of significant interests, both directly or indirectly, in a number of listed companies in Hong Kong, Canada, Australia and the United States (the "US") and unlisted investments with high potential.



Strategic investments

The Group continued to pursue its long term strategy of exploring potential investments cautiously in the volatile markets and to enhance the value of its strategic investments by active participation in or close liaisons with the management of the companies invested. As at 31st March, 2001, the Group had the following strategic investments:

Strategic investments directly held

Name of investee company	Information on investee company	Shareholding Percentage	
		As at 31st March, 2001	As at the date of this report
Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC")	Paul Y. - ITC is a public company with its securities listed in Hong Kong. The Paul Y. - ITC group's principal businesses include, inter alia, building construction, civil engineering, contract mining, contract drilling, infrastructure, resources, rail and telecommunication services, property development and investment, hotel operations, manufacture and trading of construction materials as well as strategic investments in internet related services. It has operations in Hong Kong, the PRC, Southeast Asia, Australia and New Zealand. For the year ended 31st March, 2001, Paul Y. - ITC reported a consolidated loss attributable to shareholders of HK\$469.8 million and its after tax contribution to the Group was a loss of HK\$192.3 million.	40.9%	40.9%
Hanny Holdings Limited ("Hanny")	Hanny is a public company with its securities listed in Hong Kong. The Hanny group's principal businesses include, inter alia, the manufacture, distribution and marketing of data storage media and the distribution and marketing of computer accessories and storage media drives, scanners, audio and video cassettes, minidisks, household electronic products and telecommunication accessories; and securities trading. Hanny also holds strategic investments in information technology and internet related businesses and develops its e-commerce related businesses. For the year ended 31st March, 2001, Hanny reported a consolidated loss attributable to shareholders of HK\$252.8 million and its after tax contribution to the Group was a loss of HK\$53.6 million.	27.2%	27.3%



Strategic investments directly held (continued)

Name of investee company	Information on investee company	Shareholding Percentage	
		As at 31st March, 2001	As at the date of this report
Burcon NutraScience Corporation ("Burcon")	Burcon was incorporated in Canada with its shares listed on the Canadian Venture Exchange. Burcon is a biotechnology company committed to commercialising a plant protein extraction and purification process to extract canola protein isolate from canola meal, a co-product of the canola seed crushing industry to develop Puratein™, the world's first commercial canola protein. The patented process uses abundant, inexpensive canola meal to yield high quality, cost effective plant-based protein that rivals meat, egg and milk protein in nutritional effectiveness and functionality. The canola protein isolate has potential in the multi-billion dollar protein ingredient market for use in prepared food, nutritional supplements and meal replacement products. Given that Burcon was still in the stage of research and development of its business, its results and contribution to the Group for the year ended 31st March, 2001 were not significant.	26.6%	26.6%
Star East Holdings Limited ("Star East")	Star East is a public company with its shares listed in Hong Kong and is principally engaged in entertainment-related business, including the franchising and operation of "Planet Hollywood" theme restaurants in Asia Pacific and "Star East" entertainment complexes and "Star East" theme cafes worldwide, the trading of merchandise, strategic investments in STAREASTnet.com Corporation, production of movies, television drama series, documentary and infotainment programmes and property investment and development. As at 31st March, 2001, Star East was treated as investments in securities by the Group.	18.7%	20.3%



Strategic investments indirectly held

Name of investee company	Information on investee company	Effective Interest	
		As at 31st March, 2001	As at the date of this report
STAREASTnet.com Corporation ("STAREASTnet")	STAREASTnet is a public company with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is a global Chinese internet content provider on multimedia entertainment and lifestyle information. STAREASTnet produces and distributes original interactive programming through its network of vertically-integrated entertainment portals. The Group's interest in STAREASTnet is held through its direct interests in Hanny and Star East.	9.7%	10.0%
Downer EDI Limited ("Downer") (formerly Downer Group Limited)	Downer is a public company with its securities listed on the Australian Stock Exchange and is the second largest Australian listed engineering, infrastructure and resource services company. The Downer group provides services to the public and private rail, road, power, telecommunications, mining and resources sectors in Australia, New Zealand, Southeast Asia, Hong Kong and the Pacific. The Group's interest in Downer is held through its direct interest in Paul Y. - ITC.	18.2%	18.2%
China Strategic Holdings Limited ("China Strategic")	China Strategic is a public company with its shares listed in Hong Kong. China Strategic is engaged in the holding of investments in a diversified range of businesses including manufacturing, property, toll road development, hotel operations and media business, mainly through its subsidiaries, China Land Group Limited, China Enterprises Limited and Australia Net.Com Limited. In view of the fast growing development in the information technology industry, China Strategic has extended its investments to the area of information technology and e-commerce related services through PacificNet.com, Inc. The Group has effective interest in China Strategic through its direct interests in Paul Y. - ITC and Hanny.	11.9%	11.9%



Strategic investments indirectly held (continued)

The Group's interests in the following strategic investments are held through its indirect interest in China Strategic:

Name of investee company	Information on investee company	Effective Interest	
		As at 31st March, 2001	As at the date of this report
China Land Group Limited ("China Land")	China Land is a public company with its shares listed in Hong Kong and is principally engaged in property trading and development, hotel operations and toll road development in Hong Kong and the PRC.	8.9%	7.4%
China Enterprises Limited ("China Enterprises") (formerly China Tire e-commerce.com Limited)	China Enterprises is a public company with its shares listed on the New York Stock Exchange. China Enterprises is a tire manufacturer in the PRC. Through its sino-foreign joint ventures and other international joint ventures in the PRC, China Enterprises manufactures and sells tires and other rubber products in both the PRC and overseas.	6.1%	6.1%
Australia Net.Com Limited ("Australia Net")	Australia Net is a public company with its shares listed on the Australian Stock Exchange and is now in the course of assessing suitable investment projects to maximise return on its capital resources.	6.8%	6.8%
PacificNet.com, Inc. ("PacificNet")	PacificNet is a public company with its shares listed on NASDAQ and is principally engaged in the development, marketing and supporting full services of B2B and B2C e-commerce solutions in Asia. PacificNet has formed alliance with technology partners, banks, merchant associations, internet services providers, internet content providers and facilities providers in the Greater China region as well as those in the US.	3.6%	3.6%

LIQUIDITY AND CAPITAL RESOURCES

As at 31st March, 2001, the Group's bank overdrafts and other loan repayable within one year or on demand amounted to approximately HK\$34.7 million. The convertible notes in issue at principal values of HK\$150 million, HK\$120 million and HK\$460 million will be redeemed on 14th February, 2002, 5th October, 2002 and 1st March, 2003 (or the next following business day if it is not a business day), respectively. Approximately 1.2% of the Group's total borrowings, including the convertible notes in issue, were denominated in Canadian dollars. The Canadian dollars denominated borrowings are directly tied in with the Group's businesses in Canada. Amongst the Group's borrowings, only the convertible notes of HK\$150 million are at fixed interest rates. Cash, bank balances and deposits as at 31st March, 2001 amounted to approximately HK\$18.7 million of which only 1.0% were in other currencies. The Group's current ratio was 2.03 and the gearing ratio, which was calculated using the Group's net borrowings of HK\$740.5 million and the shareholders' funds of HK\$1,611.9 million, was 45.9% as at 31st March, 2001.

As at 31st March, 2001, certain land and buildings and listed investments of the Group with an aggregate carrying value of approximately HK\$244.4 million were pledged to banks and other financial institutions to secure general facilities granted to the Group. The Group did not have any significant contingent liabilities as at 31st March, 2001.



EMPLOYEE AND REMUNERATION POLICY

As at 31st March, 2001, the Group employed a total of approximately 48 employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and the prevailing salary levels in the market. The benefits provided to the employees by the Group include training, provident funds and medical coverage. Through the share option scheme established for the senior personnel, it is intended to integrate their responsibilities, authority and benefits.

MAJOR EVENTS

Disposal of interest in Tung Fong Hung (Holdings) Limited ("Tung Fong Hung")

In November 2000, the Group completed the disposal of its entire interest in Tung Fong Hung of 242,306,000 shares, representing about 34.0% (33.5% at the date of completion of the transaction as a result of issuance of new shares by Tung Fong Hung upon exercise of share options by the option holders) of the issued share capital of Tung Fong Hung, and a shareholder's loan of HK\$425,604,344 (being substantially the cost of investment in Tung Fong Hung by the Company) to an independent third party for a cash consideration of about HK\$180 million, which has been fully paid. As a result of the disposal, the Group ceased to have any direct interest in Tung Fong Hung.

The management considered that the disposal of Tung Fong Hung at a premium of about 207% over the then market price was beneficial to the Group as a whole.

Fund raising

Subsequent to the year end in June 2001, Galaxyway Investments Limited ("Galaxyway"), a substantial shareholder of the Company, placed 68,500,000 ordinary shares in the Company to independent professional investors at a price of HK\$0.60 per share and simultaneously subscribed for 105,000,000 new ordinary shares at the same price per share. The net proceeds received by the Company under the subscription, which was completed on the same date, were approximately HK\$61.5 million and were used as to about HK\$12.4 million to subscribe for the shares in Star East pursuant to a conditional agreement as announced by Star East on 12th June, 2001, and as additional working capital of the Company.

The proforma adjusted consolidated net tangible assets of the Group after the placement and subscription of the Company's ordinary shares by Galaxyway are as follows:

	HK\$'000
Consolidated net tangible assets as at 31st March, 2001	1,611,917
Net proceeds received under the subscription of 105,000,000 ordinary shares	61,500
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Proforma adjusted consolidated net tangible assets	<u>1,673,417</u>

Securities in issue

As a result of the new issue of shares under the placing and subscription as referred to above, the total number of issued ordinary shares of the Company as at the date of this report is 630,960,774.



OUTLOOK

Beijing's successful bid to host the 2008 Olympic Games and China's expected entry to the World Trade Organisation will provide Hong Kong with significant business opportunities. The Group will continue to take priority measures to maintain a sound financial management and, under a prudent and stringent investment and development policy, pursue its long term strategy of exploring high potential investments and attractive business opportunities. With a strong financial foundation and diversified investment portfolio, the Group is well positioned to meet future challenges and take advantage of the new opportunities lying ahead with great confidence.

APPRECIATION

On behalf of the Board, I wish to express our sincere appreciation to the shareholders for their continuous support to the Company and to all management and staff members for their commitment and dedication throughout the year.

Chan Kwok Keung, Charles
Chairman

Hong Kong, 24th July, 2001