



The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries and the Group's principal associates as at 31st March, 2001 are set out in note 39 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating results for the year ended 31st March, 2001 is set out in note 3 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 24 of the annual report.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 24 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2001, the five largest suppliers in aggregate accounted for approximately 46% of the purchases of the Group and the largest supplier accounted for approximately 13% of the purchases of the Group. The five largest customers in aggregate and the single largest customer of the Group for the year ended 31st March, 2001 accounted for approximately 78% and 60%, respectively, of the turnover of the Group.

As far as the directors are aware, none of the directors nor their associates, within the meaning of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 suppliers or customers of the Group for the year ended 31st March, 2001.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years/periods is set out on page 69 of the annual report.



PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 12 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the principal subsidiaries of the Company and principal associates of the Group as at 31st March, 2001 are set out in note 39 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 23 to the financial statements.

BORROWINGS

Bank overdrafts and other loan repayable within one year or on demand are classified as current liabilities. Details of and the repayment analysis of bank overdrafts and other loan of the Group and the Company as at 31st March, 2001 are set out in notes 20 and 21 to the financial statements, respectively.

The Group has in issue convertible notes with an aggregate principal value of HK\$730,000,000. Unless previously converted, redeemed or purchased and cancelled, the convertible notes at principal value of HK\$150,000,000, HK\$120,000,000 and HK\$460,000,000 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. Further details of the convertible notes are set out in note 25 to the financial statements.

No interest was capitalised by the Group 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 (*Chairman*)
Lau Ko Yuen, Tom (*Deputy Chairman*)
Chau Mei Wah, Rosanna (*Managing Director*)
Cheung Kwok Wah, Ken
Chan Kwok Hung
Chan Fut Yan
Allan Yap
Wong Kun To
Lam Shan

Independent non-executive directors:

Dominic Lai
Cheung Hon Kit

In accordance with Clause 98(A) of the Company's Bye-laws, Mr. Chan Kwok Hung, Mr. Chan Fut Yan and Mr. Dominic Lai retire, and are eligible for re-election, at the forthcoming annual general meeting.

The term of office for each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

No director 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, 2001, 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 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:

(a) Interest in the Company

Name of director	Nature of interest	Number of ordinary shares of the Company held	Amount of 1999 convertible notes of the Company held	Amount of 2000 convertible notes of the Company held	Number of share options of the Company held
Chan Kwok Keung, Charles	Corporate interest	183,181,911 <i>(note)</i>	HK\$50,000,000 <i>(note)</i>	HK\$200,000,000 <i>(note)</i>	–
	Personal interest	–	–	–	10,300,000
Lau Ko Yuen, Tom	Personal interest	–	–	–	6,200,000
Chau Mei Wah, Rosanna	Personal interest	–	–	–	6,200,000
Chan Fut Yan	Personal interest	–	–	–	4,200,000
Chan Kwok Hung	Personal interest	–	–	–	4,200,000

Note: Dr. Chan Kwok Keung, Charles was deemed to have a corporate interest in 183,181,911 ordinary shares of the Company, the 1999 convertible notes with a principal amount of HK\$50,000,000 and the 2000 convertible notes with a principal amount of HK\$200,000,000 by virtue of his indirect shareholding in Galaxyway Investments Limited ("Galaxyway") which owned these securities.

(b) Interest in Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC")

Name of director	Nature of interest	Number of shares of Paul Y. - ITC held	Number of share options of Paul Y. - ITC held
Chan Kwok Keung, Charles	Corporate interest	406,066,015 <i>(note)</i>	–
	Personal interest	–	9,587,301
Lau Ko Yuen, Tom	Personal interest	–	14,587,301
Chau Mei Wah, Rosanna	Personal interest	–	15,687,301
Chan Fut Yan	Personal interest	–	14,587,301
Cheung Hon Kit	Personal interest	400	–

Note: The shares were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interest in the share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares under the SDI Ordinance.



DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(c) Interest in Hanny Holdings Limited ("Hanny")

Name of director	Nature of interest	Number of shares of Hanny held	Amount of warrants of Hanny held	Amount of convertible note of Hanny held	Number of share options of Hanny held
Chan Kwok Keung, Charles	Corporate interest	1,751,624,504 <i>(note)</i>	HK\$70,226,716.14 <i>(note)</i>	HK\$385,900,000 <i>(note)</i>	–
	Personal interest	–	–	–	88,500,000
Chan Kwok Hung	Personal interest	–	–	–	30,000,000
Allan Yap	Personal interest	–	–	–	88,500,000

Note: The shares and warrants were held by a wholly-owned subsidiary of the Company, and the convertible note was held by the Company. By virtue of his deemed interest in the share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares, warrants and convertible note under the SDI Ordinance.

(d) Interest in Burcon NutraScience Corporation ("Burcon")

Name of director	Nature of interest	Number of common shares of Burcon held	Number of share options of Burcon held
Chan Kwok Keung, Charles	Corporate interest	3,400,000 <i>(note)</i>	–
Chau Mei Wah, Rosanna	Personal interest	280,000	40,000
Allan Yap	Personal interest	860,000	320,000

Note: The common shares were held by wholly-owned subsidiaries of the Company. By virtue of his deemed interest in the share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these common shares under the SDI Ordinance.

Paul Y. - ITC, Hanny and Burcon were associated corporations, within the meaning of the SDI Ordinance, of the Company.

Dr. Chan Kwok Keung, Charles was, by virtue of his deemed interest in the share capital of the Company, deemed to be interested in the securities of the subsidiaries and associated corporations of the Company under the SDI Ordinance.

Save as disclosed above, as at 31st March, 2001, 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 Stock Exchange pursuant to the Model Code.



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the share option scheme of the Company are set out in note 23 to the financial statements.

Movements in options to subscribe for ordinary shares in the Company granted by the Company to the directors of the Company during the year were as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of ordinary shares to be issued upon exercise of the share options		
			Balance at 1.4.2000	Lapsed during the year	Balance at 31.3.2001
Chan Kwok Keung, Charles	28.8.1997	4.5600	2,800,000	(2,800,000)	–
	18.12.1998	0.3792	2,600,000	–	2,600,000
	17.12.1999	1.0816	7,700,000	–	7,700,000
Lau Ko Yuen, Tom	28.8.1997	4.5600	1,400,000	(1,400,000)	–
	18.12.1998	0.3792	2,000,000	–	2,000,000
	17.12.1999	1.0816	4,200,000	–	4,200,000
Chau Mei Wah, Rosanna	28.8.1997	4.5600	1,400,000	(1,400,000)	–
	18.12.1998	0.3792	2,000,000	–	2,000,000
	17.12.1999	1.0816	4,200,000	–	4,200,000
Chan Fut Yan	28.8.1997	4.5600	7,000,000	(7,000,000)	–
	17.12.1999	1.0816	4,200,000	–	4,200,000
Chan Kwok Hung	17.12.1999	1.0816	4,200,000	–	4,200,000
Cheung Kwok Wah, Ken	28.8.1997	4.5600	1,400,000	(1,400,000)	–

The options granted on 18th December, 1998 can be exercised at any time during the three year period commencing on a day after the date of offer, subject to certain restrictions contained in the offer letters.

The options granted on 17th December, 1999 can be exercised at any time during the period commencing on a day after the date of offer until 23rd January, 2002 (the expiry date of the share option scheme of the Company).

No share options were granted or exercised during the year.

The consideration for the grant of share options in respective period held by the directors of the Company is at HK\$1.00.

Save as disclosed 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 securities of the Company, or had exercised any such right during the year.



DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 38 to the financial statements, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of directors of the Company in competing businesses as at 31st March, 2001 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	Star East Holdings Limited ("Star East") and its subsidiaries	Loan financing business in Hong Kong	As a substantial shareholder of Star East
Chau Mei Wah, Rosanna	Star East and its subsidiaries	Loan financing business in Hong Kong	As the managing director of Star East
Wong Kun To	Star East and its subsidiaries	Loan financing business in Hong Kong	As an executive director of Star East

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 or indirectly, with the businesses of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders kept by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued ordinary share capital of the Company:

Name of shareholder	Number of ordinary shares of the Company held		Percentage of issued ordinary share capital
	Direct interest	Deemed interest	
Chan Kwok Keung, Charles <i>(note)</i>	–	183,181,911	34.83%
Chinaview International Limited ("Chinaview") <i>(note)</i>	–	183,181,911	34.83%
Galaxyway	183,181,911	–	34.83%

Note: Galaxyway was a wholly-owned subsidiary of Chinaview which was, in turn, wholly-owned by Dr. Chan Kwok Keung, Charles. Chinaview and Dr. Chan Kwok Keung, Charles were both deemed to be interested in 183,181,911 ordinary shares in the Company.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued ordinary share capital of the Company as at 31st March, 2001.



POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 37 to the financial statements.

RETIREMENT BENEFIT SCHEMES

Information on the Company's retirement benefit schemes is set out in note 32 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.

DISCLOSURE UNDER PRACTICE NOTE 19 TO THE LISTING RULES ("PN19")

As at 31st March, 2001, the aggregate value of financial assistance given to the Company's affiliated companies by the Group amounted to approximately HK\$438.8 million which represented approximately 27.2% of the Group's net asset value of approximately HK\$1,611.9 million.

The proforma combined balance sheet of the affiliated companies and the Group's attributable interest in these affiliated companies are presented below pursuant to paragraph 3.10 of PN19:

	Proforma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	4,913,609	1,762,080
Current assets	5,679,644	1,953,075
Current liabilities	(4,617,931)	(1,609,537)
Non-current liabilities	(1,221,493)	(460,984)
	<u>4,753,829</u>	<u>1,644,634</u>

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except the non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

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

During the year ended 31st March, 2001, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chan Kwok Keung, Charles
Chairman

Hong Kong, 24th July, 2001