

REPORT OF THE DIRECTORS

The directors are pleased to present their annual report together with the audited financial statements of KG NextVision Company Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31st March 2001.

Change of Name

Pursuant to a special resolution passed by the shareholders of the Company on 9th June 2000, the name of the Company was changed from Fung Cheung Kee Holdings Limited to KG NextVision Company Limited.

Principal Activities

The Company is an investment holding company for the business-to-business e-commerce activities and the construction businesses. Its subsidiaries are principally engaged as a main contractor for the Hong Kong Housing Authority and the Architectural Services Department in the construction of public sector housing and other buildings, maintenance and demolition projects, and also as an approved specialist supplier of cooking benches, sink units, drywall and wooden doorsets to the Hong Kong Housing Authority for use in public sector housing.

During the year ended 31st March 2001, all of the Group’s main activities were conducted in Hong Kong except for the investments in companies engaging in business-to-business e-commerce activities in Asia Pacific and the production of cooking benches, sink units, drywall and the hotel operations which were carried out in the People’s Republic of China (the “PRC”). The Group’s turnover and results before taxation for the year ended 31st March 2001 are analysed as follows:

	Turnover HK\$'000	Contribution HK\$'000
<i>By principal activity:</i>		
Construction, maintenance and demolition work (a)	473,418	(31,791)
Supplies of building products	19,459	(4,051)
Business-to-business e-commerce activities	2,467	(8,539)
Others	1,278	(5,342)
	<u>496,622</u>	<u>(49,723)</u>
<i>By geographical location of operations:</i>		
Hong Kong	494,155	(52,002)
Others	2,467	2,279
	<u>496,622</u>	<u>(49,723)</u>

(a) 91% of this turnover was generated from public sector housing and 9% from private sector housing.

REPORT OF THE DIRECTORS (Continued)

Major Customers and Suppliers

Sales to the largest customer represented 87% of the Group's turnover; and the combined turnover attributable to the 5 largest customers accounted for 98% of the Group's turnover for the year ended 31st March 2001.

Purchases from the 5 largest suppliers of the Group represented less than 30% of the Group's total purchases for the year ended 31st March 2001.

None of the directors, their associates or, to the knowledge of the directors, any shareholders had any interests in the above-mentioned major customers and suppliers.

Results and Appropriations

Details of the Group's results for the year ended 31st March 2001 are set out in the consolidated income statement on page 22.

The directors do not recommend the payment of an interim or final dividend.

Share Capital

Details of the authorised and issued share capital of the Company are set out in Note 22 to the accompanying financial statements.

Share Options

Details of the share option scheme of the Company are set out in Note 24 to the accompanying financial statements.

Reserves

Movements in reserves of the Group and the Company during the year are set out in Note 23 to the accompanying financial statements.

REPORT OF THE DIRECTORS (Continued)

Distributable Reserves

As at 31st March 2001, the Company has contributed surplus of approximately HK\$51 million and an accumulated deficit of approximately HK\$171 million. In the opinion of the directors, the Company has no reserves available for distribution to its shareholders as at the balance sheet date in accordance with the Companies Act 1981 of Bermuda (as amended).

Purchase, Sale or Redemption of Shares

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

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Bye-Laws of the Company and the laws in Bermuda.

Subsidiaries and Associated Companies

Particulars of the Company's principal subsidiaries and associated companies as at 31st March 2001 are set out in Notes 9 and 10 respectively to the accompanying financial statements.

Fixed Assets

Movements in fixed assets of the Group during the year are set out in Note 8(a) to the accompanying financial statements.

Bank Overdrafts And Loans

Particulars of overdrafts and bank loans as at 31st March 2001 are set out in Notes 20 and 25 to the accompanying financial statements.

Subsequent Events

Details of the significant subsequent events of the Group are set out in Note 29 to the accompanying financial statements.

REPORT OF THE DIRECTORS (Continued)

Directors

The directors who held office during the year and up to the date of this report are:

Dr. Jeffrey Len-Song KOO, <i>Chairman</i>	(appointed on 9th June 2000)
Mr. Chester Chi-Yun KOO	(appointed on 9th June 2000)
Mr. Jeffrey John Leon KOO, Jr.	(appointed on 9th June 2000)
Mr. Chin Yao LIN, <i>independent non-executive</i>	(appointed on 9th June 2000)
Mr. Bernard King Bong LEUNG, <i>independent non-executive</i>	(appointed on 9th June 2000)
Mr. FUNG Cheung	(resigned on 9th June 2000)
Ms FUNG Yun Tai	(resigned on 9th June 2000)
Ms FUNG Tin Tai, Christine	(resigned on 9th June 2000)
Mr. FUNG Kwok Keung, Conrad	(resigned on 9th June 2000)
Mr. SIN Wai Sang	(resigned on 9th June 2000)
Mr. HO Kwong Ming, Samuel, <i>independent non-executive</i>	(resigned on 9th June 2000)
Mr. SIN Cho Him, Christopher, <i>independent non-executive</i>	(resigned on 9th June 2000)
Mr. CHOW Wan Hoi, Paul, <i>independent non-executive</i>	(resigned on 9th June 2000)

In accordance with Bye-Law 110 (A) of the Company, Mr. Chester Chi-Yun KOO and Mr. Jeffrey John Leon KOO, Jr. will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The remaining directors continue in office.

Directors' Service Contracts

None of the directors have an unexpired service contract with the Group which cannot be terminated by the Group within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS (Continued)

Directors' Interests in Shares

As at 31st March 2001, the following directors had or were deemed to have interests under the provisions of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") in the Company or any associated corporations thereof (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

The Company

Name	Type of Interest	Number of ordinary shares of the Company	Number of share options of the Company
Dr. Jeffrey Len-Song KOO	Corporate (<i>Note a</i>)	1,800,000,000	–
Mr. Chester Chi-Yun KOO	Corporate (<i>Note b</i>)	1,800,000,000	–
Mr. Jeffrey John Leon KOO, Jr.	Personal	–	30,000,000
Mr. Chin Yao LIN	Personal	3,242,000	–

- a. These shares are owned by KG NextVision Corporation. Dr. Jeffrey Len-Song KOO has a 100% beneficial interest in Mastiff International Limited, a 50% shareholder of KG NextVision Corporation.
- b. These shares are owned by KG NextVision Corporation. Mr. Chester Chi-Yun KOO has a 100% beneficial interest in Brentwood Capital Investment Corporation, a 50% shareholder of KG NextVision Corporation.

Associated corporation – BeXcom Greater China Co. Ltd.

Name	Type of interest	Number of ordinary shares of the associated corporation
Dr. Jeffrey Len-Song KOO	Personal	2,091

Other than certain nominee shares in subsidiaries held by the directors in trust for the Company, no directors have any interests in the share capital of the Company's subsidiaries.

Save as disclosed above, the Company has no notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 31st March 2001.

REPORT OF THE DIRECTORS (Continued)

Directors' Rights to Acquire Shares or Debentures

The Company has a share option scheme under which the directors may grant options to the employees of the Group, including directors, to subscribe for up to 10 percent of the nominal amount of the issued share capital of the Company. Details of the scheme are set out in Note 24 to the accompanying financial statements.

The share options granted to and held by a director of the Company during the year were as follows:

Name	Subscription price per share	Date of grant	Granted during the year and outstanding at end of year
Mr. Jeffrey John Leon KOO, Jr.	HK\$1.17	20th June 2000	30,000,000

The share 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.

None of the above share options were exercised during the year.

Other than the Share Option Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's directors or members of its management had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS (Continued)

Substantial Shareholders

As at 31st March 2001, the following entity had or was deemed to have interests in the Company under the provisions of the SDI Ordinance as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance. These interests are also disclosed above under the heading "Directors' Interests in Shares":

Name	Number of shares	Percentage of shareholding
KG NextVision Corporation	1,800,000,000	75%

Save as disclosed above, the Company has no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 31st March 2001.

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the financial year covered by this annual report except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting in accordance with the Bye-Laws of the Company.

Audit Committee

The Board of Directors established an Audit Committee in July 1999 and formulated its written terms of reference in accordance with the requirements of The Stock Exchange of Hong Kong Limited. The Audit Committee reviews with management and discusses with auditors the accounting policies adopted by the Group and also the auditing and financial reporting matters. The audit committee members include Mr. Chin Yao LIN and Mr. Bernard King Bong LEUNG, both are independent non-executive directors of the Company.

Auditors

The accompanying financial statements have been audited by Arthur Andersen & Co. A resolution for their reappointment as auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board of Directors,

Dr. Jeffrey Len-Song KOO

Chairman

Taipei, 26th July 2001