

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 31st December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are set out in note 11 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The consolidated results for the year ended 31st December 2001 are set out on page 15.

The Directors do not recommend the payment of a dividend in respect of the year ended 31st December 2001.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 9 to the accounts.

SHARE CAPITAL AND RESERVES

Details of the movements in the share capital and options of the Company are set out in note 16 to the accounts. Details of the movements in the reserves of the Group during the year are set out on page 20.

There is no provision for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda in relation to issue of new shares by the Company.

DIRECTORS

The Directors of the Company during the year and at the date of this report are:

Tong Nai Kan

Chen Qiao

Leung Wai Kwan

Cheung Ming Man

Cheung Hiu Wai (appointed on 27th September 2001)

Lam Cheung Shing, Richard (resigned on 31st August 2001)

Lau Park To, Patrick (retired on 28th May 2001)

Tang Tin Sek*

Ko Ming Tung, Edward*

* Independent non-executive Directors

REPORT OF THE DIRECTORS

DIRECTORS (continued)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr Cheung Hiu Wai retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr Tang Tin Sek retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The current Directors of the Company do not have any service contracts with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiary companies 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.

During the year, the following options to subscribe for shares in the Company under the terms of the Company's share option scheme were granted to the Directors of the Company:

Name	Date granted	Period during which options are exercisable	Consideration	Price per	Number of shares under options		
			paid for the options granted HK\$	share to be paid on exercise of options HK\$	Outstanding at 1st January 2001	Granted during the year	Outstanding at 31st December 2001
Tong Nai Kan	29th August 2001	1st March 2002 to 28th February 2005	1.00	0.145	–	17,500,000	17,500,000
Chen Qiao	29th August 2001	1st March 2002 to 28th February 2005	1.00	0.145	–	2,000,000	2,000,000
Leung Wai Kwan	29th August 2001	1st March 2002 to 28th February 2005	1.00	0.145	–	12,000,000	12,000,000
Cheung Ming Man	29th August 2001	1st March 2002 to 28th February 2005	1.00	0.145	–	12,000,000	12,000,000
					–	43,500,000	43,500,000

Apart from the foregoing, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2001 and as far as the Directors are aware, the register of substantial shareholders of the Company maintained under Section 16(1) of the Securities (Disclosure of Interest) (“SDI”) Ordinance shows that the following shareholders had an interest of 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Number of shares	Percentage
Sunberry Investments Limited (“Sunberry”)	155,546,482	20.17
U-Cyber Technology Holdings Limited (“U-Cyber”) (<i>Note 1</i>)	155,546,482	20.17
GITIC Holdings (BVI) Limited (“GITIC Holdings”)	128,800,000	16.70
Guangdong International Trust & Investment Corporation Hong Kong (Holdings) Limited (In Creditors’ Voluntary Liquidation) (“GITIC Hong Kong”) (<i>Note 2</i>)	128,800,000	16.70
Guangdong International Trust & Investment Corporation (In Liquidation) (“GITIC”) (<i>Note 3</i>)	128,800,000	16.70

Notes:

- (1) Sunberry is a wholly owned subsidiary company of U-Cyber. In accordance with the SDI Ordinance, the interests of Sunberry are deemed to be, and have therefore been included in, the interests of U-Cyber.
- (2) GITIC Holdings is a wholly owned subsidiary company of GITIC Hong Kong. In accordance with the SDI Ordinance, the interests of GITIC Holdings are deemed to be, and have therefore been included in, the interests of GITIC Hong Kong.
- (3) GITIC Hong Kong is a wholly owned subsidiary company of GITIC. In accordance with the SDI Ordinance, the interests of GITIC Hong Kong are deemed to be, and have therefore been included in, the interests of GITIC.

CONNECTED TRANSACTION

During the year, the Group purchased a property from Rich Key Enterprises Limited, a wholly owned subsidiary company of GITIC Hong Kong, a substantial shareholder of the Company, at a consideration of HK\$3,000,000. The price was arrived at with reference to open market value of similar commercial properties in the same district, and is negotiated on an arm’s length basis and based on normal commercial terms.

The above transaction constitutes a connected transaction under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Board of Directors, including the independent non-executive Directors, has reviewed this transaction and, based on information supplied by the Company concluded that such transaction was conducted in the ordinary and usual course of business of the Group and on normal commercial terms that were fair and reasonable so far as the shareholders of the Company were concerned.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr Tong Nai Kan, Chairman and Managing Director of the Company, who owns several investment properties in Hong Kong, may compete with the Company's business. Having considered the location and nature of the properties, the portfolio of the properties owned by Mr Tong is of a different nature and category. In addition, given that the Company's new direction and strategy of diversifying into biotechnology business area, which are defined by the Board as a whole, there is no conflict of interest between Mr Tong's participation in his personal investment and his role as a Director of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year.

MANAGEMENT CONTRACTS

Apart from the property management agreement set out in note 4(b) to the accounts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers was 40% of the Group's total turnover, of which 12% was made to the largest customer.

The aggregate purchase of revenue items during the year attributable to the Group's five largest suppliers was 77% of the Group's total purchases of revenue and services, of which 57% was made from the largest supplier, Guangdong International Building Enterprises Company Limited, a subsidiary company of GITIC.

None of the Directors, their associates or any shareholder who to the knowledge of the Directors owns more than 5% of the Company's share capital has an interest in the suppliers or customers disclosed above, except for the largest supplier.

COMPLIANCE WITH THE 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 of the Listing Rules throughout the accounting period covered by this annual report.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the audit committee (the “Committee”) were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Society of Accountants. The Committee provides an important link between the Board and the Company’s auditors on matters coming within the scope of the audit of the Group. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee currently comprises of two independent non-executive Directors, namely Mr Tang Tin Sek and Mr Ko Ming Tung, Edward.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Tong Nai Kan

Chairman and Managing Director

Hong Kong, 3rd April 2002