

Report of the Directors

The directors have pleasure in presenting their report and the audited financial statements for the year ended March 31, 2001.

Principal activities

The Company and its subsidiaries (the "Group") are investment holding companies.

Segmental information

The Group's turnover and contribution to operating results were all derived from investments in listed and unlisted companies in Hong Kong.

Subsidiaries

Details of the Company's subsidiaries at March 31, 2001 are set out in note (11) to the financial statements.

Results and appropriations

The results of the Group for the year ended March 31, 2001 are set out in the consolidated income statement on page 16.

The directors do not recommend the payment of a dividend for the year.

Share capital and warrants

Details of the movements in the Company's share capital and warrants during the year are set out in note (15) to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note (16) to the financial statements.

The Company's reserves available for distribution represent the share premium, contributed surplus and retained profits under the Companies Law of the Cayman Islands. The share premium of the Company is available for paying dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium, contributed surplus and retained profits of the Company which in aggregate amounted to approximately HK\$90,533,000 as at March 31, 2001.

Purchase, sale and redemption of the Company's listed securities

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

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Li Kwok Cheung, George

Chiu Sui Keung

Lin Wai Yan

Cheuk Siu Ying (Resigned on January 17, 2001)

Lam Andy Siu Wing (Resigned on October 9, 2000)

Chow Pok Yu, Augustine (Resigned on October 9, 2000)

Fung Hing Sheung (Retired on September 29, 2000)

Independent Non-executive Directors

Wong Wai Kwong, David

Lewis Hung Fung

Kwok Hong Yee, Jesse

In accordance with Article 160 of the Company's Articles of Association, Mr. Li Kwok Cheung, George and Mr. Wong Wai Kwong, David, shall retire by rotation from office and, being eligible, offer themselves for re-election. All other directors continue in office.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

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

Directors' interests in securities

As at March 31, 2001, none of the directors and chief executive or their associates had any personal, family, corporate or other interests in equity or debt securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), and none of the directors and chief executive, nor their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' rights to acquire shares or debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial shareholders

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

Name of shareholder	Number of shares held	Notes
Fung Fai Growth Limited	340,000,000	(a)
Kingswell Holdings Group Limited	170,000,000	(b)

Notes:

- (a) The entire issued share capital of Fung Fai Growth Limited is owned by a trust of which the discretionary objects are family members of Cheng Kai Ming, Charles.
- (b) The entire issued share capital of Kingswell Holdings Group Limited is beneficially owned by Janusz Mieczyslaw Stempnowski.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at March 31, 2001.

Connected transactions and directors' interests in contracts

Details of the connected transactions for the year are set out in note (23) to the financial statements under the section heading of "Related party transactions".

The independent non-executive directors have reviewed the connected transactions and confirmed that the transactions are in the normal course of business of the Group and the agreements governing the transactions were entered into under normal commercial terms.

Save as disclosed in note (23)(a), (c) and (e) to the financial statements, 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 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' interest in competing business

Set out below is information disclosed pursuant to paragraph 8.10 (2) of the Listing Rules:

Dr. Chow Pok Yu, Augustine ("Dr. Chow"), is a director of Haywood Investments Limited and Harmony Asset Limited. Both companies are engaged in investments in listed and unlisted securities which constitute competing business to the Group.

The Board of Directors has established procedures to identify any conflict of interests due to Dr. Chow's directorships in these companies. If conflict of interest arises, Dr. Chow will abstain from participating in making investment decisions. The Group is therefore capable of carrying on such business independently of, and at arm's length from the said competing business.

Dr. Chow resigned as a director of the Company on October 9, 2000.

Management contracts

Details of significant management contracts in relation to the Company's business are included in note (23)(c) and (d) to the financial statements.

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Memorandum and Articles of Association and the Companies Laws of the Cayman Islands.

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Corporate governance

The Company has complied throughout the year ended March 31, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

Auditors

Subsequent to the previous annual general meeting, Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants resigned as joint auditors of the Company while Messrs. Chu and Chu, Certified Public Accountants, continue to act as auditors of the Company. A resolution to re-appoint Messrs. Chu and Chu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Li Kwok Cheung, George

Executive Director

Hong Kong, June 8, 2001