

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are building construction and maintenance, restaurant operations and other investing activities. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and loss from operating activities by principal activity and geographical area of operations for the year ended 31 March 2001 is as follows:

	Turnover		Loss from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Building construction and maintenance	367,220	1,860,850	(14,136)	(8,294)
Property investment and development	–	–	(1,207)	(61,427)
Restaurant operations	92,507	91,194	(188)	(4,543)
Investment activities	3,100	11,979	(41,895)	(95,429)
	<u>462,827</u>	<u>1,964,023</u>	<u>(57,426)</u>	<u>(169,693)</u>
By geographical area:				
People's Republic of China:				
Hong Kong	459,906	1,958,095	(55,196)	(106,997)
Elsewhere	2,921	5,928	(1,947)	(62,361)
Singapore	–	–	(283)	(335)
	<u>462,827</u>	<u>1,964,023</u>	<u>(57,426)</u>	<u>(169,693)</u>

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 80.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2001.

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SUMMARY FINANCIAL INFORMATION

The table set out below summarises the published consolidated results and the consolidated assets and liabilities of the Group for the last five financial years based on a 31 March year end, as extracted from the audited financial statements and reclassified as appropriate. The auditors' report in respect of the 1998 financial statements was modified in respect of fundamental uncertainty issues. The auditors' reports in respect of the 1999, 2000 and the current year's financial statements were qualified.

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
RESULTS					
TURNOVER	<u>462,827</u>	<u>1,964,023</u>	<u>1,733,509</u>	<u>3,292,772</u>	<u>1,077,386</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(57,426)	(169,693)	(170,902)	34,865	30,770
Finance costs	(11,724)	(19,221)	(18,393)	(17,301)	(23,791)
Share of losses, net of profits, of associates	-	(3,052)	(3,477)	(4,241)	(332)
Share of loss of a jointly controlled entity	-	-	(9,579)	(1,081)	-
PROFIT/(LOSS) BEFORE TAX	(69,150)	(191,966)	(202,351)	12,242	6,647
Tax	408	-	(454)	(2,297)	(5,133)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(68,742)	(191,966)	(202,805)	9,945	1,514
Minority interests	-	1,439	1,962	867	(656)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(68,742)</u>	<u>(190,527)</u>	<u>(200,843)</u>	<u>10,812</u>	<u>858</u>

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SUMMARY FINANCIAL INFORMATION *(continued)*

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
ASSETS AND LIABILITIES					
FIXED ASSETS	16,036	34,340	110,881	128,992	75,177
INVESTMENT PROPERTIES	–	–	–	–	33,000
PROJECT UNDER DEVELOPMENT	62,542	64,953	117,907	117,284	101,134
INTERESTS IN ASSOCIATES	–	2,000	9,653	53,168	111,816
INTEREST IN A JOINTLY CONTROLLED ENTITY	168,339	168,339	168,339	177,919	–
LONG TERM INVESTMENTS	155,667	162,714	179,421	53,519	235,640
DEPOSITS RECOVERABLE AND OTHER RECEIVABLES	68,020	65,525	27,765	91,384	47,425
CURRENT ASSETS	75,033	192,556	345,128	617,542	504,980
TOTAL ASSETS	545,637	690,427	959,094	1,239,808	1,109,172
CURRENT LIABILITIES	221,686	317,505	420,649	620,397	551,030
NON-CURRENT LIABILITIES	653	1,088	12,261	35,397	21,990
MINORITY INTERESTS	33,141	33,141	95,837	38,413	39,280
TOTAL LIABILITIES AND MINORITY INTERESTS	255,480	351,734	528,747	694,207	612,300
NET ASSETS	290,157	338,693	430,347	545,601	496,872

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

ASSOCIATES AND JOINTLY CONTROLLED ENTITY

Particulars of the Group's interests in its principal associates and jointly controlled entity are set out in notes 15 and 16 to the financial statements, respectively.

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BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans, overdrafts and other borrowings of the Company and the Group at the balance sheet date are set out in note 23 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's issued share capital, share options and warrants during the year and, where appropriate, the reasons therefor, are set out in note 29 to the financial statements.

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2001, the Company had no reserves available for distribution.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company in the amount of HK\$30,815,245 as at 31 March 2001 is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof which the Company is currently unable to satisfy. In addition, the Company's share premium may be distributed in the form of fully paid bonus shares.

PLEDGE OF ASSETS

Details of pledge of assets of the Company and the Group are set out in note 35 to the financial statements.

INTEREST CAPITALISED

Interest in the amount of HK\$620,803 (2000: HK\$3,346,118) was capitalised during the year in respect of the Group's construction projects.

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DIRECTORS

The directors of the Company during the year were:

Executive directors

Cheng Chao Ming, Jenson	
Cheung Kung Tai	
Chen Vee Yong, Frederick	
Chan Kin Shing, Henry	(appointed on 25 August 2000)
Lau King Lung	(appointed on 5 February 2001)
Chan Chun Hong, Thomas	(appointed on 17 February 2001)
Kwok Tze Chiu	(appointed on 17 February 2001 and retired on 26 February 2001)
Sit Yik Leung	(appointed on 30 December 2000 and resigned on 13 March 2001)
(alternate director to Mr. Zeng Xiang Zhi)	(resigned on 18 April 2000)
Hui Yat On, Kelvin	(resigned on 21 August 2000)
Xiong Pingbo, Paul	(resigned on 11 November 2000)
Cheung Lik Ping	(retired on 8 February 2001)
Cheung Yiu Wing	(retired on 8 February 2001)
Cheung Wing Keung, Samuel	(resigned on 13 March 2001)
Zeng Xiang Zhi	(resigned on 13 March 2001)
Ching Kwok Leung	(resigned on 13 March 2001)

Independent non-executive directors

Cheung Wai Bun, Charles	
Siu Man Ho	(appointed on 5 February 2001)
Cho Wing Mou	(appointed on 5 February 2001 and retired on 26 February 2001)
Gao Zong Ze	(resigned on 5 February 2001)
Cheung Oi Man, Amelia	(resigned on 5 February 2001)

Subsequent to the balance sheet date, the following changes to the board of directors took place:

- (i) On 24 July 2001, Mr. Chan Chun Hong, Thomas resigned as an executive director.
- (ii) On 27 July 2001, Ms. Fong Yuk Lan was appointed as an executive director and Ms. Cheung Lai Na was appointed as an alternate director to Mr. Cheng Chao Ming, Jenson. On the same date, Mr. Gao Zong Ze was re-appointed as an independent non-executive director.

REPORT OF THE DIRECTORS

DIRECTORS *(continued)*

- (iii) On 6 September 2001, Mr. Lau King Lung resigned as an executive director and Messrs. Cheung Wai Bun, Charles and Siu Man Ho resigned as independent non-executive directors. On the same date, Messrs. He Jianguo and Zhang Hongyan were appointed as executive directors and Mr. Ip Man Tin, David was appointed as an independent non-executive director.
- (iv) On 17 September 2001, Messrs. Cheng Chao Ming, Jenson, Chan Kin Shing, Henry and Ms. Cheung Lai Na (alternate director to Mr. Cheng Chao Ming, Jenson) resigned as executive directors.
- (v) On 19 October 2001, Mr. Cheung Kung Tai resigned as an executive director.
- (vi) On 26 October 2001, Ms. Leung Suk Ching, Angela was appointed as an executive director.
- (vii) On 27 November 2001, Dr. Lai Wai Chung was appointed as an independent non-executive director.

In accordance with the Company's bye-laws, Messrs. Leung Suk Ching, Angela, Fong Yuk Lan, Zhang Hongyan, Ip Man Tin, David, Gao Zong Ze, Lai Wai Chung will retire and, being eligible except that Mr. Gao Zong Ze does not intend to, offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

BRIEF BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(A) Directors

HE JIANGUO, aged 48, born in Guangzhou, China. He studied Chinese Language and Literature in Ji Nan University in Guangzhou from 1973 to 1977. At the start of 1980's, the Chinese Government adopted an Open Door Policy. The trading business of the coastal cities developed very fast. Mr. He worked for the Port Authority of Huangpu from 1980 to 1993, during which time he received professional training organised by United Nations Marine Transport Council, Council of Chinese Port Authorities, Dalian Marine Institute, Shanghai Marine Institute, COSCO and APL. Mr. He has therefore gained insight from the view of public administration and private operation. During this time, Mr. He was often appointed to attend meetings held by Chinese Transport Department to set up rules and regulations pertaining to such operation. In 1991, Mr. He was given special responsibilities by the Port Authority of Huangpu to develop container traffic between Hong Kong and Guangzhou, and he worked closely with such global liners as MSK, NYK, K Line and MCC. In 1993, Mr. He joined Huangpu Port Authority Container Limited which operated a container terminal and warehouses at Huangpu. He saw the need to develop the first logistics centre in South China, which was followed by his first de-consolidation centre for M.C.C. International of United States to re-distribute cargo from Pearl River Delta to Hong Kong and the rest of the world. Mr. He was promoted to be the Managing Director in 1998. He put great emphasis on staff discipline. The average operational profit under the management of Mr. He was RMB 6 million, with an impressive client list comprising MSK, K Line, ZIM, NYK, OOCL etc. To be more competitive, Mr. He is now applying to achieve ISO 9000 status for Keen Chance Limited. Mr. He is currently studying for an MBA programme in order to keep abreast of the WTO implication for China.

LEUNG SUK CHING, ANGELA, aged 27, is the Vice Chairperson and Executive Director of the Company. She is also an executive director of Arko Energy (Holdings) Plc. in the United Kingdom and is responsible for business development and financial matters of the company. She has a strong practical background in international finance due to her education and working experience in Europe. Miss Leung has extensive experience in international business and strategic planning. She has completed an international business course at the University of Paris XII-Val de Marne in France in 1996 and subsequently graduated from Hong Kong Baptist University with a Bachelor of Arts degree in 1998.

CHEN VEE YONG, FREDERICK, aged 39, graduated from the New York University with the Bachelor of Science degree majored in management, finance and marketing. Mr. Chen joined the Board of Directors of King Pacific International Holdings Limited in 2000. He was appointed as the Managing Director on 27 August 2001. Mr. Chen is also the Managing Director of Capcol Finance (Asia) Ltd., specialist in structured financing and corporate finance. The Board of Director and Advisor to three other internet and wireless technology investment funds, the Director of CB Fund Management Limited in 1996 and 1997, the Non-Executive Director of Z.com, formerly a Sprint division. Z.com provides services such as Global Sprint FAX, Sprint Mail Services, Sprint FAX and Sprint Electronic Data Interchange (EDI) Services. In the past two years, Mr. Chen has structured over USD50 million of private convertible loans to various listed companies.

REPORT OF THE DIRECTORS

BRIEF BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

(A) Directors *(continued)*

FONG YUK LAN, aged 25, born in Hong Kong, is the Executive Director of the Company. Ms. Fong has several years of experience in human resources management and company restructuring in medium size local companies. She graduated from the University of Hong Kong with a Bachelor of Arts Degree in 1998. Whilst in her last employment with a local company which was in the process of achieving a listing status in Hong Kong, she was given time-off to pursue further studies on subjects related to her work. She obtained a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong in 2001. On the recommendation of one of her past employers, Miss Fong was invited to join the Company as an Executive Director. Her areas of responsibilities include human resources, office management and company administration. Since July 2001, Miss Fong's contribution to the board reorganisation and management strengthening is already producing cost cutting results.

ZHANG HONGYAN, aged 34, born in Jilin, PRC, is a citizen of the People Republic of China. In July 1989, she graduated from Zhang Shan University of Guangzhou with a bachelor's degree in economics. In the same year, she was offered and accepted a position of auditor with the state-owned Shenzhen Bao An Certified Public Accounting Firm. In 1993, she qualified as a State Registered Accountant (only about 50,000 in China), and was promoted to be a Supervisor of the state-owned Shenzhen Bao An Auditing Firm. Between May and November, 1995, she was seconded to Messrs Kwan Wong Fong & Tan in Hong Kong to be engaged in listed company work as an Accountant. Whilst in Hong Kong, she was given assignment to assist with the listing process of a number of companies. In December, 1995, she was transferred to be a Supervisor of the state-owned Shenzhen Bao An Certified Public Accounting Firm and stayed there until December, 1996. Between December, 1996 and December, 1997, Miss Zhang worked in Hong Kong as the Financial Controller for Xin Bao Industrial Co. Ltd. which is a state-owned corporation of the Guangdong Provincial Government. Between December, 1997 and now, Miss Zhang became a partner at Yi Da CPA Ltd. of Shengzhen. Among her clients are state-owned enterprises, Sino foreign joint ventures, as well as listed companies from Hong Kong and Taiwan. In 1998, Miss Zhang qualified as a State Registered Tax Adviser (only about 10,000 in China).

IP MAN TIN DAVID, aged 56, is an independent non-executive Director of the Company. Mr. Ip served with the Hong Kong Government from 1970 to 1994 for 25 years and currently is an independent non-executive Director of the London-listed Arko Energy Holdings plc and Hong Kong-listed Global Tech (Holdings) Limited. Mr. Ip holds a Bachelor of Arts Degree and a Master of Social Sciences Degree from Hong Kong, and is also a member of the Chartered Institute of Marketing. Mr. Ip has undertaken project studies in a wide variety of subjects ranging from property development to leisure and hospitality projects, aquaculture and cattle ranches, chemical and co-generation power plants etc. He is widely-travelled and project assignments have seen him active in most continents. On the corporate finance side, in 1994 Mr. Ip took control of a United Kingdom public company and successfully upgraded it to the Official List on London Stock Exchange in 1998. In 1999, Mr. Ip was a member of a corporate finance practice which developed a \$2.6 billion debt restructuring proposal for the Hong Kong-listed Wah Tak Fung Holdings Limited. He stayed on as its non-executive director during the interim period.

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BRIEF BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

(A) Directors *(continued)*

GAO ZONG ZE, aged 62, joined the board in 2000. He graduated with a master degree in 1961 in the Sea Affairs University of Dalian in the PRC. He has over 40 years of experience in the legal fields and has been a legal consultant in various industries and banks in the PRC. He acts as a professor or executive member in various social organization in the PRC.

LAI WAI CHUNG, aged 43, is an Associate Professor of the Department of Real Estate and Construction of the University of Hong Kong. He has extensive experience in town planning, environmental protection and land matters in Hong Kong. He has published various books, articles and journals relating to town planning and environmental protection. Dr. Lai obtained a degree of Doctor of Philosophy from the University of Hong Kong and is a Registered Professional Planner of Hong Kong.

(B) Senior Management

WILLIAM WONG, aged 49, is the Financial Controller of the Group. He has over 31 years of experience in accounting, auditing, taxation and management experience in PRC projects majoring in hotel and real estate development.

DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY

At the balance sheet date, the interests of the directors and chief executives in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

SHARES

Name of director	Number of shares		
	Personal Interests	Family Interests	Corporate Interests
Cheng Chao Ming, Jensen	2,327,000	–	123,469,136 <i>(note)</i>
Cheung Kung Tai	<u>47,382,000</u>	<u>–</u>	<u>–</u>

Note: Mr. Cheng Chao Ming, Jensen is the director and has controlling interest in the issued share capital of Changjiang Power Development (HK) Co. Ltd. which holds 43,469,136 shares of the Company. Mr. Cheng is also interested in 50% of the issued share capital of Intelligent Trico Investment Holdings Ltd. which holds 80,000,000 shares of the Company.

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DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY *(continued)*

Share options

The Company has a share option scheme under which the directors may, on or before 30 September 2001, invite any employees or executive directors of the Group to take up options to subscribe for shares in the Company.

Pursuant to the Company's share option scheme, the following options were granted to an executive director on 6 December 1999 in his personal capacity to subscribe for shares in the Company at an exercise price of HK\$0.50 per share, subject to adjustment, at any time from 28 December 1999 up to and including 27 December 2001, all of which remained outstanding at the balance sheet date.

Name of director	Number of shares under option
Chen Vee Yong, Frederick	<u>12,000,000</u>

No options were exercised during the year.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors emoluments and of the five highest paid individuals in the Group are set out in note 8 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as detailed in notes 18 and 36 to the financial statements, no director had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

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SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, the parties (other than a director or chief executive of the Company for which details of their shareholdings in the Company are disclosed above) directly or indirectly reporting an interest in 10% or more of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares	Notes
Cheung Yiu Wing	149,388,599	–
China Fortune Limited (“China Fortune”)	207,692,308	1
Whirlwind Holdings Limited (“Whirlwind”)	169,500,000	2

Notes:

1. Mr. Lang Jing deemed to have interest in these 207,692,308 shares held by China Fortune (this note reflects the record of register kept by the Company only).
2. These shares refer to the 169,500,000 share held by Whirlwind in which Ms Gao Jie has 100% equity interest therein. Subsequently, on 28 September 2001, these shares have been sold to Global Bridge Assets Limited, which is wholly and beneficially owned by Mr. Jiang Jianjun.

Save as disclosed above, so far as the directors are aware, there are no other persons who are, directly or indirectly, interested in 10% or more of the nominal value of any class of issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2001, the total net assets and interest-bearing bank and other borrowings of the Group were HK\$290,157,204 (2000: HK\$338,692,932) and HK\$69,136,444 (2000: HK\$150,191,646), respectively.

Details of interest-bearing bank and other borrowings and their repayment terms as at 31 March 2001 are set out in note 23 to the financial statements.

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MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchases attributable to the five largest suppliers accounted for 73% of the Group's total purchases for the year, of which the largest supplier accounted for 41% of the Group's purchases.

The aggregate turnover attributable to the five largest customers accounted for 80% of the Group's total turnover for the year, of which the largest customer accounted for 55% of the Group's turnover.

None of the directors, their associates, or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital had any beneficial interest in the suppliers or customers mentioned above.

CODE OF BEST PRACTICE

In the opinion of directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, throughout the accounting period covered by this report, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

SUBSEQUENT EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 37 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

He Jianguo
Chairman

Hong Kong
7 December 2001