



Directors' Report

The directors submit herewith their annual report together with the audited accounts for the year ended 31 May 2001.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 37 to the accounts.

An analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year is set out in note 3 to the accounts.

2. PROPOSED CHANGE OF NAME

The directors propose to change the Company's name to Baker Group International Holdings Limited subject to the approval by shareholders at an extraordinary general meeting to be held on 26 June 2002.

3. MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	41	
Five largest customers in aggregate	83	
The largest supplier		16
Five largest suppliers in aggregate		39

One of the five largest customers, which accounted for approximately 41% of the Group's sales, is beneficially owned by Asia Standard International Group Corporation ("ASIGL"), Asia Standard International Limited ("ASIL"), Asia Standard Development (Holdings) Limited ("ASDHL") and Richcorp Investments Holdings Limited ("Richcorp"), companies which have beneficial interests in the Company.

Save as disclosed above, at no time during the year have the directors, their associates or any shareholder of the Company who the knowledge of the directors owns more than 5 per cent of the Company's issued share capital, had an interest in these major customers and suppliers noted above.



4. FINANCIAL POSITION

The results for the year are set out in the consolidated profit and loss account on page 26.

The consolidated statement of recognised gains and losses for the year is set out on page 27.

The state of the Group's and the Company's affairs at 31 May 2001 is set out in the balance sheets on pages 28 to 30.

The cash flows for the year are set out in the consolidated cash flow statement on pages 31 to 32.

5. DIVIDENDS

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

6. FIXED ASSETS

Details of the movements in fixed assets are set out in note 13 to the accounts.

7. RESERVES

The movements in the reserves of the Group and the Company during the year are set out in note 30 to the accounts.

8. SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 29 to the accounts. Shares were issued during the year to broaden the capital base of the Company.



9. DIRECTORS

The directors during the financial year were:

Executive directors

Mr. Chan Man Chuen
Mr. Vong Pak Cheong
Mr. Mak Kwun Yiu (Resigned on 1 November 2001)
Mr. Chan Kai Yiu

Independent non-executive directors

Mr. Lau Tang Lung, Eduardo (Resigned on 17 February 2001)
Mr. Shek Lai Him, Abraham (Appointed on 7 February 2001 and resigned on 15 August 2001)
Mr. Wu Zhong Xiang (Resigned on 30 November 2001)

The following directors were appointed after the end of the financial year:

Executive directors

Mr. Chan Che Sum, Story (Appointed on 10 August 2001 and resigned on 26 September 2001)
Mr. Hung Yat Ming (Appointed on 14 June 2001)

Independent non-executive directors

Mr. Yau Ting Kwok (Appointed on 15 August 2001)
Mr. Tsang Fan Wan (Appointed on 1 December 2001)

Mr. Chan Kai Yiu retires by rotation in accordance with Article 108(a) of the Company's Articles of Association and, being eligible, offers himself for re-election.

Mr. Hung Yat Ming, Mr. Yau Ting Kwok and Mr. Tsang Fan Wan retire in accordance with Article 112 of the Company's Articles of Association and, being eligible, offer themselves for re-election.



10. DIRECTORS' SERVICE CONTRACTS

Mr. Chan Man Chuen, Mr. Vong Pak Cheong and Mr. Mak Kwun Yiu have service agreements with the Company which are for terms of 3 years, commencing on 1 November 1998 and will continue thereafter until terminated by not less than six months' notice in writing served by either party. None of the service agreements were renewed upon the expiry on 31 October 2001.

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

11. DIRECTORS' INTERESTS IN SHARES

The directors who held office at 31 May 2001 had the following interests in the issued share capital of the Company and its subsidiaries or other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

Name of director	Note	Ordinary shares of HK\$0.10 each			Total
		Personal interests	Corporate interests	Other interests	
Chan Man Chuen	(a)	–	–	60,423,809	60,423,809
Vong Pak Cheong	(b)	–	–	60,423,809	60,423,809
Mak Kwun Yiu	(c)	–	6,490,158	–	6,490,158
Chan Kai Yiu	(d)	937,500	6,490,158	–	7,427,658



11. DIRECTORS' INTERESTS IN SHARES *(Cont'd)*

Notes:

- (a) These shares are owned by Enson Group Limited ("Enson"). Enson has two classes of shares, namely classes A and B. All the class A shares in the issued share capital of Enson are beneficially owned by a capital trust, the discretionary objects of which include Mr. Chan Man Chuen and his family members. Holders of class A shares are entitled to, among other rights, exercise all the voting rights of Enson. All the class B shares in the issued share capital of Enson are beneficially owned by an income trust, the discretionary objects of which are Mr. Chan Man Chuen's brother and nephew. Holders of class B shares are entitled to, among other rights, all dividends and income arising from Enson.
- (b) These shares are owned by Joyful Holdings Limited ("Joyful"). Joyful also has two classes of shares, namely classes A and B. All the class A shares in the issued share capital of Joyful are beneficially owned by a capital trust, the discretionary objects of which include Mr. Vong Pak Cheong and his family members. Holders of class A shares are entitled to, among other rights, exercise all the voting rights of Joyful. All the class B shares in the issued share capital of Joyful are beneficially owned by an income trust, the discretionary objects of which are Mr. Vong Pak Cheong's sisters. Holders of class B shares are entitled to, among other rights, all dividends and income arising from Joyful.
- (c) These shares are owned by Townfair Enterprise Inc., the entire issued share capital of which is beneficially owned by Mr. Mak Kwun Yiu.
- (d) These shares are owned by Gainful International Inc., the entire issued share capital of which is beneficially owned by Mr. Chan Kai Yiu.

Details of share options are set out in notes 29 and 35(a) to the accounts.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



12. SUBSTANTIAL SHAREHOLDERS

The Company has been notified of the following interests in the Company's issued shares at 31 May 2001 amounting to 10% or more of the ordinary shares in issue:

Name	<i>Note</i>	Number of ordinary shares held
Enson Group Limited	<i>(a)</i>	60,423,809
Joyful Holdings Limited	<i>(a)</i>	60,423,809
Tonlok Limited	<i>(b)</i>	45,944,000
Richcorp Investments Holdings Limited	<i>(b)</i>	45,944,000
Asia Standard International Group Limited	<i>(b)</i>	45,944,000
Asia Standard International Limited	<i>(b)</i>	45,944,000
Asia Standard Development (Holdings) Limited	<i>(b)</i>	45,944,000

Notes:

- (a) These represent the same parcel of shares as disclosed under "Directors' interests in shares" above.
- (b) These represent the same parcel of shares which are held by Tonlok Limited. ASIGL, ASIL, ASDHL and Richcorp are deemed to have interests in these shares as they are shareholders of Tonlok Limited.

13. DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions as set out in note 34 to the accounts, no contract of significance to which the Company or any of its subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

14. CONVERTIBLE NOTES

Details of convertible notes issued and their conversion rights are set out in note 27 to the accounts.

15. PURCHASE, SALE OR REDEMPTION OF SHARES

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



16. BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 May 2001 are set out in notes 25 to 27 to the accounts.

17. FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 86 to 87.

18. GROUP PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 88.

19. RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits scheme of the Group are set out in note 12 to the accounts.

20. RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 34 to the accounts.

21. COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors the Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

22. AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange, the Company set up an audit committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The current members of the Committee comprise Mr. Yau Ting Kwok and Mr. Tsang Fan Wan.



23. AUDITORS

Messrs. PricewaterhouseCoopers audited the accounts for the two years ended 31 May 1999 and 2000 and subsequently resigned as auditors of the Company. Messrs. KPMG were appointed as the statutory auditors in October 2001 and resigned on 23 May 2002. Messrs. RSM Nelson Wheeler were appointed as the statutory auditors to fill the casual vacancy on 24 May 2002. The accounts of the Company for the year ended 31 May 2001 were audited by Messrs. RSM Nelson Wheeler who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Chan Man Chuen

Chairman

Hong Kong, 12 June 2002