

Directors' Report

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June, 2001.

Principal Activities

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 13 to the financial statements.

Results

Details of the Group's results for the year ended 30 June, 2001 are set out in the consolidated income statement on page 21.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 61 of the annual report.

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment at a cost of HK\$13,089,040 and disposed of property, plant and equipment with a net book value of HK\$704,404, respectively.

At 30 June, 2001, the Group revalued its leasehold properties on an open market value basis. Net revaluation decreases of HK\$2,036,871 and HK\$30,448 have been charged to the asset revaluation reserve and the income statement, respectively.

Details of these and other movements during the year in property, plant and equipment of the Group are set out in note 12 to the financial statements.

Share Capital and Share Options

Details of movements during the year in the share capital of the Company are set out in note 24 to the financial statements.

Details of the share option scheme and movements during the year in the share options of the Company are set out in note 25 to the financial statements.

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Reserves

Details of movements during the year in the reserves of the Group and the Company are set out in note 26 to the financial statements.

Directors and Directors' Service Contracts

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

Executive directors:

Lee Chun Kwok (*Chairman*)

Fong Wing Seng (*Managing Director*)

Clive William Baker Oxley (appointed on 16 July, 2001)

Non-executive director:

Xu Yang Sheng

Independent non-executive directors:

Chan Mo Po, Paul

Wong Chun Nam, Duffy

In accordance with the provisions of Clauses 86 and 87 of the Company's Bye-Laws, Mr. Clive William Baker Oxley and Mr. Wong Chun Nam, Duffy retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The non-executive director and the independent non-executive directors have been appointed for a term subject to retirement by rotation in accordance with the Company's Bye-Laws.

Directors' Interests in Shares and Share Options

(i) *Shares*

At 30 June, 2001, the interests of the directors in the shares of the Company and its subsidiaries as recorded in the register required to be maintained under Section 29 of Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of the Company's ordinary shares	
	Personal interests	Other interests
Lee Chun Kwok	10	2,071,503,868 (<i>Note</i>)
Fong Wing Seng	10	2,071,503,868 (<i>Note</i>)

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Note: These shares are held through Princessa Holdings Limited, 53.94% of which is owned by Otta Trading Limited as trustee of a unit trust, all the units of which are held by a discretionary trust established for the spouse and issue of Mr. Lee Chun Kwok and 46.06% of which is owned by Primecone Inc. as trustee of a unit trust, all the units of which are held by a discretionary trust established for the spouse and issue of Mr. Fong Wing Seng.

(ii) Share Options

A summary of the share options outstanding at 1 July, 2000 and 30 June, 2001, insofar as the Company's directors are concerned is as follows:

Name of director	Exercisable on or after	Exercise price HK\$	Number of share options outstanding at 1.7.2000 and 30.6.2001
Lee Chun Kwok	27.11.1993	0.0424	6,324,528
	27.11.1994	0.0424	6,324,528
	1.7.1995	0.0176	12,654,545
	1.7.1996	0.0176	12,654,545
Fong Wing Seng	27.11.1993	0.0424	6,324,528
	27.11.1994	0.0424	6,324,528
	1.7.1995	0.0176	12,654,545
	1.7.1996	0.0176	12,654,545
Xu Yang Sheng	3.1.2001	0.0135	31,600,000
	3.1.2002	0.0135	47,400,000

No options were granted to or were exercised by the directors of the Company during the year.

Details of the Company's share option scheme are set out in note 25 to the financial statements.

Save as aforesaid and other than certain nominee shares in subsidiaries held by Mr. Lee Chun Kwok in trust for the Group, at 30 June, 2001:

- (i) none of the directors or the chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance; and
- (ii) none of the directors or the chief executives or their spouses or children under 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Arrangement to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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Directors' Interest in Contracts of Significance

Dr. Liang Ping, wife of Dr. Xu Yang Sheng, provided project development and consultancy services to the Group and received consultancy fees amounting to HK\$360,000 for such services during the year.

Save as disclosed above, no contracts of significance to which the Company or its subsidiaries 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.

Substantial Shareholders

As at 30 June, 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held
Otta Trading Limited	2,071,503,868
Primecone Inc.	2,071,503,868
Princesa Holdings Limited	2,071,503,868

The interests of Otta Trading Limited and Primecone Inc. are held through Princesa Holdings Limited and have been disclosed as interests of Messrs Lee Chun Kwok and Fong Wing Seng respectively in the directors' interests in shares above.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Convertible Bonds, Securities, Options, Warrants or Similar Rights

Other than the share options set out in note 25 to the financial statements, the Company had no other outstanding convertible bonds, securities, options, warrants or similar rights as at 30 June, 2001.

Purchase, Sale or Redemption of the Company's Listed 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 are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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Major Customers and Suppliers

The largest customer of the Group by itself and together with the next four largest customers accounted for approximately 12% and 47% respectively of the Group's turnover for the year under review.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for approximately 18% and 46% respectively of the Group's purchases for the year under review.

As at 30 June, 2001, to the knowledge of the directors of the Company, none of the directors, their associates or any shareholders owning more than 5% of the Company's share capital had any beneficial interests in the Group's five largest customers or the five largest suppliers mentioned in the preceding paragraphs.

Post Balance Sheet Event

Details of a significant post balance sheet event are set out in note 39 to the financial statements.

Code of Best Practice

The Company has complied throughout the year ended 30 June, 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 of Hong Kong Limited.

Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lee Chun Kwok

Chairman

Hong Kong, 28 September, 2001