

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st July, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 45 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's subsidiaries and associates at 31st July, 2001 are set out in notes 45 and 21 respectively to the financial statements.

RESULTS

The results of the Group for the year ended 31st July, 2001 are set out in the consolidated income statement on page 24.

The directors do not recommend the payment of any dividend during the year.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st July, 2001, the reserves of the Company available for distribution to shareholders were approximately HK\$38,473,000, being the distributable reserve of approximately HK\$77,033,000 less the deficit of approximately HK\$38,560,000.

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 79.

DIRECTORS' REPORT

INVESTMENT PROPERTIES

During the year, properties under development for rent of approximately HK\$233,792,000 were transferred to investment properties. Details of this and other movements during the year in investment properties of the Group are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

GOLF RESORT UNDER CONSTRUCTION

During the year, the Group spent approximately HK\$30,000,000 to construct additional structure in the golf resort. Details of this and other movements in golf resort under construction are set out in note 17 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st July, 2001 are set out on page 80.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements during the year in the share capital, warrants and share options of the Company are set out in note 31 to the financial statements.

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

BORROWINGS AND INTEREST CAPITALISED

Bank borrowings repayable within one year or on demand are classified as current liabilities. The repayment terms of the Group's obligations under finance leases and hire purchase contracts, and bank borrowings are set out in notes 29 and 30 respectively to the financial statements.

No interest was capitalised by the Group during the year.

DIRECTORS' REPORT

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 46 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Mr. Yip Kwong, Robert (Chairman and Chief Executive Officer)

Ms. Cheng Kit Yin, Kelly (Deputy Chairman and Chief Financial Officer)

Mr. Kam Shing

Ir. Lo Sek Chiu, Vincent

Independent non-executive directors:

Dr. Wong King Keung, Peter

Mr. Chung Shui Ming

Mr. Kwong Tak Cheong (resigned on 27th November, 2000)

Dr. Tse Yuet Fu, Victor (resigned on 27th November, 2000)

Dr. Wong King Keung, Peter and Mr. Chung Shui Ming have been appointed for a term of two years commencing 30th December, 1999 and 21st March, 2000 respectively. The appointment can be terminated by either party by notice in writing of not less than three months.

The independent non-executive directors are also subject to retirement by rotation in accordance with the Company's Bye-laws.

In accordance with Clause 87 of the Company's Bye-laws, Ms. Cheng Kit Yin, Kelly retires and, being eligible, offers herself for re-election. All other directors continue in office.

The director being proposed for re-election at the forthcoming annual general meeting has no service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31st July, 2001, the interests of the directors in the share capital of the Company and the associated corporation as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(i) Shares

Shares in the Company

Name of director	Personal interest	Corporate interest
	Number of shares held	Number of shares held
Mr. Yip Kwong, Robert	27,000,000	819,518,739 (Note)
Ms. Cheng Kit Yin, Kelly	52,300,000	—

Note: These shares are owned by Central Securities Holdings Limited, a wholly-owned subsidiary of Everbest Holdings Group Limited which is a company wholly owned by Mr. Yip Kwong, Robert.

Shares in GreaterChina Technology Group Limited ("GreaterChina")

Name of director	Personal interest	Corporate interest
	Number of shares held	Number of shares held
Mr. Yip Kwong, Robert	1,201,500	280,673,394 (Note)
Ms. Cheng Kit Yin, Kelly	44,046,020	—

Note: 258,451,559 shares are owned by the Company, in which Mr. Yip Kwong, Robert was interested in 846,518,739 shares in the Company, representing approximately 37.5% interest in the Company as at 31st July 2001 and 22,221,835 shares are owned by Central Securities Holdings Limited.

(ii) Options

(a) Options in the Company

The Company has a share option scheme under which the directors may, at their discretion, grant options to employees, including executive directors, of the Company or its subsidiaries to subscribe for shares in the Company.

DIRECTORS' REPORT

The directors had personal interests in share options to subscribe for shares in the Company which were granted under the Company's share option scheme as follows:

Name of director	Date of grant	Exercise price HK\$	Number of share options outstanding as at 1st August, 2000 and 31st July, 2001
Mr. Yip Kwong, Robert	5th March, 1997	0.43	5,000,000
	26th January, 2000	0.30	8,000,000
	22nd March, 2000	0.33	10,000,000
Ms. Cheng Kit Yin, Kelly	5th March, 1997	0.43	5,000,000
	26th January, 2000	0.30	4,000,000
	22nd March, 2000	0.33	10,000,000
Mr. Kam Shing	26th January, 2000	0.30	3,000,000
Ir. Lo Sek Chiu, Vincent	12th February, 1996	0.53	3,000,000
	26th January, 2000	0.30	10,000,000
Dr. Wong King Keung, Peter	26th January, 2000	0.30	5,000,000
Mr. Chung Shui Ming	22nd March, 2000	0.33	10,000,000

There were no options granted to or exercised by the directors during the year.

Details of the Company's share option scheme are set out in note 31 to the financial statements.

(b) *Options in GreaterChina*

The Company's associate, GreaterChina, has a share option scheme under which GreaterChina's full time employees and executive directors may be granted options to subscribe for shares in GreaterChina.

DIRECTORS' REPORT

The director of the Company had personal interests in share options to subscribe for shares in GreaterChina which were granted under GreaterChina's share option scheme as follows:

Name of director	Date of grant	Exercise price	Number of share options		
			Outstanding as at 1.8.2000	Granted during the year	Outstanding as at 31.7.2001
Ms. Cheng Kit Yin, Kelly	19th December, 2000	0.218	–	16,000,000	16,000,000

Other than as disclosed above, at no time during the year was the Company, any of its holding companies, fellow subsidiaries or 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, and neither the directors nor the chief executives, nor any of their 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.

Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 31st July, 2001, none of the directors or the chief executives, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the Group's transactions with GreaterChina, in which Ms. Cheng Kit Yin, Kelly is interested by virtue of her shareholding in GreaterChina and is the chairman of GreaterChina, and Mr. Kam Shing is a non-executive director of GreaterChina, are set out in note 43(i) to (vii) to the financial statements.

Other than as disclosed above, no contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or 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

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more of the issued share capital of the Company as at 31st July, 2001.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of the Group's purchases and turnover attributable to major suppliers and customers are as follows:

Percentage of purchases attributable to the Group's largest supplier	12%
Percentage of purchases attributable to the Group's five largest suppliers	31%
Percentage of turnover attributable to the Group's largest customer	80%
Percentage of turnover attributable to the Group's five largest customers	95%

None of the directors, their associates or any shareholders (who to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the five largest customers or suppliers.

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.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st July, 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 to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board



Yip Kwong, Robert

Chairman and Chief Executive Officer

23rd November, 2001