

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st January, 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment and those of its subsidiaries and associates are respectively set out in notes 16 and 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st January, 2002 are set out in the consolidated income statement on page 13.

An interim dividend of 10 HK cents per share amounting to HK\$6,776,000 was declared payable to the shareholders during the year. The directors now recommend the payment of a final dividend of 20 HK cents per share to the shareholders on the register of members on 25th June, 2002 amounting to HK\$13,552,000.

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 49.

INVESTMENT PROPERTIES, OTHER PROPERTIES AND OTHER FIXED ASSETS

The Group revalued all of its major investment properties at 31st January, 2002. The decrease on revaluation, adjusted for minority interests, which has been debited directly to the investment property revaluation reserve, amounted to HK\$95,245,125.

The directors reviewed the recoverable amounts of the Group's land in Guam, U.S.A. by reference to the valuation conducted by an independent property valuer subsequent to the balance sheet date. As a result, the carrying value of certain land in Guam has been reduced by HK\$71,559,834, of which HK\$58,000,000 has been charged to the income statement and the remaining balance dealt with in reserves or as an adjustment against minority interests.

Movements during the year in the investment properties, other properties, and other fixed assets of the Group and the Company are respectively set out in notes 13, 14 and 15 to the financial statements.

DIRECTORS' REPORT

MAJOR PROPERTIES

Details of the major properties of the Group at 31st January, 2002 are set out on pages 50 to 54.

SHARE CAPITAL

Particulars regarding the share capital of the Company are set out in note 21 to the financial statements.

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

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

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Bank loans repayable within one year or on demand are classified in the balance sheet as current liabilities. A repayment analysis of bank loans is set out in note 23 to the financial statements.

No interest was capitalised by the Group during the year.

RETIREMENT BENEFIT SCHEME

Most of the Group's employees are either contributory or non-contributory members of a defined contribution retirement benefit scheme (the "Defined Contribution Scheme"). The Defined Contribution Scheme's assets are managed by independent trustees. The Group's contribution to this scheme is calculated at 5% of individual employee's basic salary on a monthly basis. The contributory employee's contributions are calculated at 5% of their basic monthly salaries and the non-contributory employees are not required to make contributions to the scheme. The Group's total contribution to the scheme for the year ended 31st January, 2002 is HK\$153,260.

Hong Kong employees joining the Group after 1st December, 2000 are now required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). All Hong Kong staff employed by the Group prior to 1st December, 2000 were offered to join the MPF Scheme or remain under the Group's then existing retirement benefit scheme. Under the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK\$1,000 per month whichever is the smaller to the scheme. There is no forfeiture of employer's contribution from leaving scheme members under the MPF Scheme.

Under the Defined Contribution Scheme maintained by the Group, forfeitures of employer's contributions from leaving scheme members were applied to reduce the Group's contribution. The amount so utilised during the year ended 31st January, 2002 amounted to HK\$19,708. As at 31st January, 2002, there were no forfeited contributions available to offset future employer's contributions to such scheme.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 21% and 32% respectively of the Group's total turnover for the year. The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 13% and 34% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers and suppliers.

DIRECTORS

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

Executive directors

Lee Teh Yee, William

Kiang Chee Man, Robert

Lee Wan Wah

Lee An Fen

Robert Horatius Bonar

(alternate to Kiang Chee Man, Robert)

Wong Shu Yuen

(alternate to Lee Wan Wah)

Independent non-executive directors

Chow Sy Pien

Chan Kam Lun, Daniel

Cheung Tze Fat, Alfred

(appointed on 11th May, 2001)

Lau Hak Lap

(appointed on 25th March, 2002)

In accordance with the provisions of the Company's Articles of Association, Miss Lee An Fen, Mr. Kiang Chee Man, Robert, and Mr. Lau Hak Lap shall retire by rotation and, being eligible, offer themselves for re-election.

No director 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 for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' REPORT

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of directors' emoluments and the highest paid employees are set out in note 7 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are shown in page 6.

The executive directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the executive directors are regarded as members of the Group's senior management.

DIRECTORS' INTERESTS IN SHARES

At 31st January, 2002, Mr. Lee Teh Yee, William personally had beneficial interests in 33,000 shares of the Company. In addition, Mr. Lee Teh Yee, William, through two private companies controlled by him, was also beneficially interested in 25,000 shares in Modern Aspac Development Company Limited ("Modern Aspac"), representing 50% of its issued share capital. Modern Aspac is a 50% owned associate of the Group which beneficially held 533,400 shares of the Company.

Save as disclosed herein and except for shares in subsidiaries held by directors in trust for their immediate holding companies, at 31st January, 2002, none of the directors nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance, and none of the directors nor 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of 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.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st January, 2002 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.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

On 26th April, 2000, an inspector was appointed by the Financial Secretary pursuant to Section 33 of the Securities (Disclosure of Interests) Ordinance to investigate and report on the membership of the Company. The inspector's report was published in 2001, which suggested that Mr. James Smith Lee controlled 89.16% of the shares of the Company by controlling eleven registered corporate shareholders of the Company.

On 4th January, 2002, the Company wrote to each of the eleven shareholders seeking their comments on the inspectors' report. However, as at the latest practicable date in preparing this annual report, the Company has not received any response from the eleven shareholders nor has the Company been notified by any person, not being a director of the Company, of interests in the share capital of the Company required to be recorded in the register under Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

POST BALANCE SHEET EVENT

Details of a significant event occurring subsequent to the balance sheet date are set out in note 33 to the financial statements.

AUDITORS

The financial statements for the preceding three years were audited by Messrs. Deloitte Touche Tohmatsu.

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

On behalf of the Board,
Lee Teh Yee, William
Chairman

Hong Kong, 22nd May, 2002