

The Directors present the annual report and the audited financial statements of the Group for the year ended 30th June, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 18 to the financial statements.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 30th June, 2002 (2001: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers contributed about 95% of the Group's turnover, of which 57% of the total turnover was attributable to the Group's largest customer.

Approximately 18% and 61% of the total purchases of the Group were attributable to the largest supplier and the five largest suppliers in aggregate respectively.

None of the Directors, their associates or any shareholders of the Company which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers and suppliers of the Group.

RESULTS

The results of the Group for the year ended 30th June, 2002 are set out in the consolidated income statement on page 18.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 34 to the financial statements.

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 71.

INVESTMENT PROPERTIES

The investment properties of the Group were revalued by an independent firm of professional property valuers on an open market existing use basis at HK\$60,900,000. The deficit arising on revaluation of these properties of HK\$12,500,000 has been charged to the consolidated income statement.

FIXED ASSETS

Movements in the fixed assets of the Group and of the Company during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company during the year are set out in notes 32 and 33 respectively, to the financial statements.

DIRECTORS

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

Executive Directors

Dr. Meng Xiaosu (<i>Honorary Chairman</i>)	(resigned on 3rd August, 2002)
Mr. Thomson Lee (<i>Vice Chairman</i>)	(resigned on 11th June, 2002)
Mr. Li Qinyi	(resigned on 10th October, 2001)
Mr. Li Zhao	(resigned on 20th May, 2003)
Mr. Cheng Ka On, Dominic	(resigned on 19th June, 2002)
Mr. Lu Liang	(appointed on 11th June, 2002)
Mr. Tsang Kar Tong	(appointed on 22nd June, 2002 and resigned on 9th January, 2003)
Mr. Chen Wei	(appointed on 10th July, 2002 and retired on 31st December, 2002)
Mr. Lo Lap Ho	(appointed on 20th August, 2002)
Mr. Ng Yan	(appointed on 20th May, 2003)
Mr. Tao Wei Ming	(appointed on 20th May, 2003)

Independent Non-executive Directors

Mr. Su Sen Chang	(resigned on 20th May, 2003)
Ms. Huang Kai Chiun, Dorothy	(resigned on 1st October, 2002)
Mr. Lee G. Lam	(appointed on 7th December, 2001 and resigned on 20th March, 2002)
Mr. Ha Kee Choy, Eugene	(appointed on 1st October, 2002 and resigned on 30th October, 2002)
Mr. Kurt Franz Hanke	(appointed on 20th January, 2003)
Ms. Lau Heung Ping	(appointed on 20th May, 2003)

In accordance with Articles 94 and 102(A) of the Company's Articles of Association, Mr. Lo Lap Ho, Mr. Su Sen Chang and Mr. Tsang Kar Tong retired at the 2002 annual general meeting and, being eligible, offered themselves for re-election as directors of the Company. Mr. Chen Wei retired at the 2002 annual general meeting on 31st December, 2002. Mr. Tsang Kar Tong and Mr. Su Sen Chang resigned as directors of the Company on 9th January, 2003 and 20th May, 2003 respectively.

DIRECTORS (cont'd)

The terms of office of the independent non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

None of the retiring Directors to be re-elected at the annual general meeting had any 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' INTERESTS IN SECURITIES

Under the Company's share options scheme, details of which are set out in note 33 to the financial statements, certain Directors have personal interests in share options to subscribe for shares in the Company which were granted to them during the year as follows:

Name of Director	Exercisable Period	Exercise Price	Outstanding at 1.7.2001	Options granted during the year	Exercised during the year	Surrendered by option holders during the year	Outstanding at 30.6.2002
Mr. Thomson Lee	11.07.2001 to 10.07.2011	HK\$0.200	-	2,000,000	-	(2,000,000)	-
Mr. Cheng Ka On, Dominic	11.07.2001 to 10.07.2011	HK\$0.200	-	1,500,000	-	(1,500,000)	-
Mr. Lu Liang	24.05.2002 to 23.05.2012	HK\$0.202	-	25,835,000	-	-	25,835,000
Mr. Li Zhao	29.06.2001 to 28.06.2011	HK\$0.200	1,000,000	-	-	-	1,000,000
	24.05.2002 to 23.05.2012	HK\$0.202	-	24,835,000	-	-	24,835,000
Ms. Huang Kai Chiun, Dorothy	11.07.2001 to 10.07.2011	HK\$0.200	-	1,000,000	-	-	1,000,000
Mr. Tsang Kar Tong	27.06.2001 to 26.06.2011	HK\$0.200	23,650,000	-	(16,000,000)	-	7,650,000

Mr. Lu Liang holds 50% interests in the securities of Etrade Century Limited, an associate of the Group.

Save as disclosed above, none of the Directors or chief executives or 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 (the "SDI Ordinance") at 30th June, 2002.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the interests disclosed above in respect of the Directors, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of eighteen had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, details of the interest representing 10% or more of the issued share capital of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance are as follows:

Name of Shareholder	Direct Interest	Number of shares held in the Company	
		Deemed Interest	Percentage of Shareholding
East Marton Group Limited	275,928,500	–	10.68%
Li Jian Min (<i>Note</i>)	–	261,540,000	10.12%

Note: These shares are held by Absolute Rich Assets Limited, Precise Time International Limited and Success Pacific Enterprises Limited, companies owned by Mr. Li Jian Min.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 30th June, 2002.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 45 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Dr. Meng Xiaosu is the Chairman of China National Real Estate Development Group Company ("CRED China") which is a state-owned real estate enterprise in the PRC engaging in property development and real estate management and related businesses. He is also a director in various member companies of CRED China. Other than his directorship in CRED China, he is not regarded to be interested in any competing business of the Group.

Save as disclosed above, at 30th June, 2002, none of the Directors had any interests in competing business of the Group which was required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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.

CORPORATE GOVERNANCE

Due to the significant staff and management turnover within the Group during and subsequent to the year under review, the Company could not publish the final results for the year ended 30th June, 2002 (the "Final Results") and the interim results for the six months ended 31st December, 2002 (the "Interim Results") as stipulated. The delay in the publication of the Final Results and dispatch of the annual report within four months of the financial year end constitutes breaches of paragraph 8(1) and 11(1) of the Listing Agreement. The delay in the publication of the Interim Results and dispatch of the interim report within three months from the six months ended 31st December, 2002 constitutes breaches of paragraph 10(1) and 11(6) of the Listing Agreement.

Subsequent to the year under review, the Company has re-organised its audit committee which comprises Mr. Kurt Franz Hanke and Ms. Lau Heung Ping, who were appointed as independent non-executive directors on 20th January, 2003 and 20th May, 2003 respectively.

Save as disclosed above, the Company complied throughout the year ended 30th June, 2002 with the "Code of Best Practice" as set out in Appendix 14 of the Listing Rules.

POST BALANCE SHEET EVENTS

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

AUDITORS

Messrs. Fan, Mitchell & Co. acted as auditors of the Company in respect of the financial statements for the year ended 30th June, 2002 and Messrs. Deloitte Touche Tohmatsu acted as auditors of the Company in respect of the financial statements for the years ended 30th June, 2000 and 2001. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Fan, Mitchell & Co. as auditors of the Company.

On behalf of the Board

Ng Yan
Director

Hong Kong, 27th June, 2003