

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in investment holding, property development and general trading.

RESULTS

Details of the results of the Group for the year ended 30 June 2003 are set out in the consolidated income statement on page 16.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 20 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

Particulars of the properties of the Group as at 30 June 2003 are set out on page 44.

DIRECTORS

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

Executive directors:

Law Fong (*Acting Chairman*)

Zhou Shiji

Hsin Yu Ping (*retired on 5 December 2002*)

Non-executive director:

Oung Shih Hua, James

Independent non-executive directors:

Zhu Pei Qing

Lu Ti Fen (*appointed on 28 July 2003*)

Cao Dacheng (*resigned on 29 July 2003*)

In accordance with the provisions of the Company's Bye-laws, Mr. Zhu Pei Qing retires and, being eligible, offers himself for re-election.

The term of office for each non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

No directors being proposed for re-election at the forthcoming annual general meeting has 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' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2003, the interests and short positions of the directors and chief executives of the Company in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

Name of director	Number of ordinary shares in the Company held as personal interests
Oung Shih Hua, James	5,000,000

Save as disclosed above, as at 30 June 2003, none of the directors or chief executives of the Company had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

According to the register maintained by the Company under Section 336 of the SFO, the Company was notified of the following interest representing 5% or more of the issued share capital of the Company as at 30 June 2003:

Name of shareholder	Number of ordinary shares	%
Five Star Investments Limited	267,815,017	50.70

SHARE OPTIONS AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Details of the Company's share option scheme are set out in note 21 to the financial statements. No share options have been granted under the scheme since its adoption.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the spouses or children under the age of 18 of the directors or chief executives had any right to subscribe for the securities of the Company or had exercised such rights during the year.

DIRECTORS' INTEREST 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.

CONNECTED TRANSACTIONS

Details of the connected transactions entered into during the year are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

The Company has complied throughout the year 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.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

On behalf of the Board

Law Fong
ACTING CHAIRMAN

Hong Kong
30 December 2003