

# DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended July 31, 2000.

## PRINCIPAL ACTIVITIES

The Company acts as a property and investment holding company and provides corporate management services to its subsidiaries. The activities of the principal subsidiaries and associates are set out in notes 15 to 17 to the financial statements.

The Group's turnover and contribution to loss from operations for the year ended July 31, 2000 analysed by principal activity and by geographical location are as follows:

	<b>Turnover</b> <i>HK\$</i>	<b>Contribution to loss from operations</b> <i>HK\$</i>
By principal activity:		
Continuing operations:		
Property management and agency services	24,760,016	1,754,851
Property rental	14,495,279	4,753,487
Property maintenance	3,667,034	(154,003)
Financial investment	3,614,139	(918,402)
Property sale	—	(2,582,007)
	<hr/> 46,536,468	<hr/> 2,853,926
Discontinued operations:		
Manufacture and sale of biscuits	5,898,655	(152,870)
	<hr/> <u>52,435,123</u>	<hr/> <u>(2,701,056)</u>
Deficit on revaluation of investment properties		(22,500,611)
Provision for impairment in value of property, plant and equipment		<hr/> (10,568,516)
		<hr/> <u>(30,368,071)</u>
By geographical location:		
Hong Kong	46,536,468	(27,633,237)
The People's Republic of China, other than Hong Kong (the "PRC")	5,898,655	(376,774)
Japan	—	(2,358,060)
	<hr/> <u>52,435,123</u>	<hr/> <u>(30,368,071)</u>

## **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended July 31, 2000, the aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively represented less than 30% of the Group's total turnover and purchases.

## **SUBSIDIARIES AND ASSOCIATES**

Details of the Company's principal subsidiaries and associates at July 31, 2000 are set out in notes 15 to 17 to the financial statements.

## **RESULTS**

The results of the Group for the year ended July 31, 2000 are set out in the consolidated income statement on page 18 of the annual report.

## **RESERVES**

Details of movements during the year in the reserves of the Group and the Company 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 64 of the annual report.

## **INVESTMENT PROPERTIES**

The Group's and the Company's investment properties were revalued at July 31, 2000 by Chung Sen Surveyors Limited, an independent firm of professional valuers, on an open market value basis.

Details of the movements during the year in the investment properties of the Group and the Company are set out in note 13 to the financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements during the year in property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

## **MAJOR PROPERTIES**

Particulars of the major properties of the Group as at July 31, 2000 are set out on pages 65 to 66 of the annual report.

## SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 32 to the financial statements.

## SHARE OPTIONS

Details of the Company's share option scheme for employees and the movements during the year are set out in note 33 to the financial statements.

## BORROWINGS

Details of obligations under hire purchase contracts, bank loans, overdrafts, other borrowings and convertible notes of the Group are set out in notes 28 to 30 to the financial statements.

No interest was capitalised by the Group during the year.

## DIRECTORS

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

### **Chairman and non-executive director:**

Liu Ngai Wing

### **Executive directors:**

Yao Hon Ching	<i>(appointed on April 1, 2000)</i>
Hui Kwong Wai, Eric	
Chan Kei Kon	
Jun Kobayashi	<i>(retired on December 29, 1999)</i>

### **Independent non-executive directors:**

Jonathan Michael Caplan  
Masuo Yoshimochi  
Wong Chui Kay

In accordance with Article 103(A) of the Company's Articles of Association, Messrs. Liu Ngai Wing and Masuo Yoshimochi retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Yao Hon Ching retires and, being eligible, offers himself for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

No directors 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.

## **DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS**

At July 31, 2000, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### **(i) Shares**

<b>Name of director</b>	<b>Number of ordinary shares held</b>
Mr. Liu Ngai Wing	3,000,000
Mr. Wong Chui Kay	160,000

The above interests were held personally by the directors.

### **(ii) Share options**

At August 1, 1999, Mr. Liu Ngai Wing had personal interests in 6,000,000 share options, exercisable from April 8, 1997 to March 6, 2007, to subscribe for shares in the Company at an exercise price of HK\$0.5712 per share, subject to adjustment. During the year, he exercised 3,000,000 of his share options and no further options were granted, leaving 3,000,000 share options outstanding at July 31, 2000.

Details of the Company's share option scheme are set out in note 33 to the financial statements.

Other than as disclosed above and certain nominee shares in subsidiaries held by directors in trust for the Company, at July 31, 2000, none of the directors 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 none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section “Directors’ interests in shares and share options”, 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.

## DIRECTORS’ INTERESTS IN CONTRACTS

No contract 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

During the year and up to date of this report, the Group had entered into the following connected transactions:

- (i) In September, 1999, the Group entered into agreements to dispose of its entire interests in Wuhan Han-ki Real Estate Development Engineering & Decorations Co., Ltd. and Guangzhou Jessica Food Products Company Limited to the respective minority shareholders for cash consideration of approximately HK\$3,700,000 and HK\$21,000,000, respectively. The transactions were carried out at terms determined and agreed by relevant parties.
- (ii) On August 18, 2000, the Company entered into a subscription agreement to issue 80,399,926 new ordinary shares of HK\$0.40 each in the Company to Rocket High Investments Limited, a company beneficially and wholly owned by a director of Far East Consortium International Limited (“FECI”), a substantial shareholder of the Company. Full details of the transaction were disclosed in a circular issued to the shareholders of the Company dated September 8, 2000.

## SUBSTANTIAL SHAREHOLDERS

At July 31, 2000, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses the following shareholders as having an interest of 10 percent or more in the issued share capital of the Company:

Name of shareholder	Number of shares held	%
Razmark Limited	46,665,865	11.61
Far East Consortium Limited (“FEC”)	41,623,666	10.35
Far East Consortium (B.V.I.) Limited	41,623,666 ( <i>note</i> )	10.35
FECI	41,623,666 ( <i>note</i> )	10.35

Other than as disclosed above, the Company has not been notified of any other interests representing 10 percent or more of the Company's issued share capital at July 31, 2000.

*Note:* These figures refer to the same holding of 41,623,666 shares held by FEC. FEC is a wholly owned subsidiary of Far East Consortium (B.V.I.) Limited which in turn is a wholly owned subsidiary of FECL.

## **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.

## **POST BALANCE SHEET EVENTS**

Details of significant post balance sheet events are set out in note 45 to the financial statements.

## **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 (the "Listing Rules").

The Company's audit committee was formed on March 28, 2000, comprising at that time the Chairman and non-executive director, Mr. Liu Ngai Wing and two independent non-executive directors, Messrs. Masuo Yoshimochi and Wong Chui Kay. The terms of reference of the Audit Committee have been constituted with regard to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

## **DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES**

As at the date of this report, the Group has an advance of approximately HK\$123,222,000 (the "Advance") to Mutual Luck Investment Limited ("Mutual Luck"), a company in which the Group holds a 15.33% interest as a long-term investment. The Advance represents the shareholder's loan granted in 1989 by the Group with accrued interest up to July 31, 1999.

Mutual Luck is engaged in property investment and the advance was made for financing its acquisition of a parcel of leasehold land known as Fung Lok Wai in Yuen Long, Hong Kong in 1989. Details have been disclosed in the circular issued to the shareholders of the Company dated May 26, 1989, at which time Mutual Luck was a wholly owned subsidiary of the Group.

The Advance is unsecured and has no fixed repayment terms. It bore interest at 1% above the prime rate up to July 31, 1999 and is non-interest bearing thereafter.

## **AUDITORS**

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

On behalf of the Board  
**YAO HON CHING**  
*DIRECTOR*

Hong Kong, November 17, 2000