

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company continues to engage in the business of property investment and to act as an investment holding company.

The principal activities of its subsidiaries are property development and trading.

RESULTS

The results of the Group for the year ended 31st January, 2001 are set out in the consolidated income statement on page 11.

The directors do not recommend the payment of a dividend for the year.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 22 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 31.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at 31st January, 2001, resulting in a revaluation deficit of HK\$1,150,000 of which HK\$350,000 has been charged to the investment property revaluation reserve and HK\$800,000 has been charged to the income statement.

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

DIRECTORS' REPORT - CONTINUED

PARTICULARS OF PROPERTIES

Details of the properties of the Group at 31st January, 2001 are set out on page 32.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 21 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS

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

Executive directors:

Mr. Jong Kong Ki
Mr. Jong Tat Fung
Mr. Lo Cheung Kin
Mr. So Yiu Kong
Ms. Yin Hoi Yeung
Mr. Santos Chu (resigned on 31st July, 2000)

Independent non-executive directors:

Mr. Chu Kwok Chue
Ms. Jong Lai Ching
Mr. Siu Wing Keung
Mr. Ricky, Ma Hok Shing (passed away on 16th August, 2000)

In accordance with Article 81 of the Company's Articles of Association, Mr. Jong Kong Ki and Mr. Jong Tat Fung will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

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).

DIRECTORS' REPORT - CONTINUED

DIRECTORS' INTERESTS IN SHARES

At 31st January, 2001, the interests of the directors in the ordinary 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") were as follows:

| Name | Number of ordinary shares | |
|-------------------|----------------------------------|----------------------------|
| | Personal interests | Corporate interests |
| Mr. Jong Kong Ki | — | 21,600,000 (Note 1) |
| Mr. So Yiu Kong | 982,000 | — |
| Mr. Chu Kwok Chue | 420,000 | — |
| Mr. Lo Cheung Kin | — | 8,076,923 (Note 2) |
| Ms. Yin Hoi Yeung | — | 8,076,923 (Note 2) |

Notes:

1. 16,650,000 ordinary shares are held in the name of Nordstan Company Limited, 89.5% issued share capital of which is beneficially owned by Mr. Jong Kong Ki. 3,918,000 ordinary shares and 1,032,000 ordinary shares are held in the name of Kik Keung Finance Limited and Benwee Company Limited respectively. Both are beneficially owned by Mr. Jong Kong Ki.
2. The ordinary shares are held in the name of Mass Honour Investment Limited which is controlled by Mr. Lo Cheung Kin and Ms. Yin Hoi Yeung.

In addition, Mr. Jong Kong Ki also holds 3,000,000 ordinary shares on behalf of an independent third party.

Other than as disclosed above, at 31st January, 2001, neither the directors 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.

ARRANGEMENT 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, and neither 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.

DIRECTORS' REPORT - CONTINUED

DIRECTORS' INTERESTS IN CONTRACTS

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.

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 having an interest of 10% or more in the issued share capital of the Company as at 31st January, 2001.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st January, 2001, the five largest customers accounted for approximately 89%, of which 21% was attributable to the largest customer, by value of the Group's total turnover and the five largest suppliers accounted for less than 10% by value of the Group's total purchases.

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 share capital) have an interest in any of the Group's five largest customers.

CORPORATE GOVERNANCE

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

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group. The Audit Committee presently comprises two independent non-executive directors.

AUDITORS

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

On behalf of the Board
JONG KONG KI
Chairman

Hong Kong, 25th May, 2001