

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2001.

PRINCIPAL ACTIVITIES

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

RESULTS

Details of the results of the Group for the year ended 30 June 2001 are set out in the consolidated income statement on page 14.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five years ended 30 June 2001 is set out on page 39.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the financial statements.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 24 to the financial statements. No share options have been granted under this scheme since its adoption.

RESERVES

Details of the movements during the year in the reserves of the Group and of the Company are set out in note 25 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$10.8 million on properties held under development.

Details of this and other movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

Particulars of the properties of the Group as at 30 June 2001 are set out on page 40.

DIRECTORS' REPORT (Cont'd)

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30 June 2001 are set out in note 36 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Bank loans and overdrafts repayable within one year or on demand are classified as current liabilities. Repayment schedules of the Group's bank loans are set out in note 21 to the financial statements.

Interest capitalised by the Group during the year in respect of properties held under development amounted to HK\$2,563,000.

DIRECTORS

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

Executive directors:

Hsin Yu Ping

Law Fong

Zhou Shiji

(appointed on 6 July 2000)

Non-executive director:

Oung Shih Hua, James

Independent non-executive directors:

Zhu Pei Qing

(appointed on 22 September 2000)

Cao Dacheng

(appointed on 31 January 2001)

Chan Tack Cheung, Christopher

(appointed on 9 February 2001 and resigned on 29 March 2001)

Chui Mon Fu

(resigned on 22 September 2000)

Messrs. Law Fong, Oung Shih Hua, James and Cao Dacheng retire and, being eligible, offer themselves for re-election.

The term of office for each non-executive director is the period up to his 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' REPORT (Cont'd)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2001, the interests of the directors and chief executives and their associates in the securities 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 of director	Number of ordinary shares in the Company held as personal interests
Oung Shih Hua, James	5,000,000

Save as disclosed above, and other than certain nominee shares in certain subsidiaries held in trust for the Group, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30 June 2001.

SUBSTANTIAL SHAREHOLDERS

According to the register maintained by the Company under Section 16(1) of the SDI Ordinance, the Company was notified of the following interest representing 10% or more of the issued share capital of the Company as at 30 June 2001:

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

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Other than the share option scheme of the Company as described in note 24 to the financial statements, 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 any such right during the year.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Details of connected transactions entered into during the year are set out in note 34 to the financial statements.

Save as disclosed in note 34 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 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.

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 except that there was only one member in the Company's Audit Committee for the period up to 31 January 2001.

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
26 October 2001