

Directors' Report

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

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.

In the current year, the Group disposed of its subsidiaries engaged in the provision of property maintenance, management and agency services as partial consideration for the acquisition of an associate engaged in the business of internet communication services and, accordingly, the Group's business in the aforesaid operations was discontinued.

Major Customers and Suppliers

For the year ended July 31, 2001, 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.

Results

The results of the Group for the year ended July 31, 2001 are set out in the consolidated income statement on page 19 of the annual report.

Reserves

Details of the movements during the year in the reserves of the Group and the Company are set out in note 28 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 60 of the annual report.

Investment Properties

The Group's and the Company's investment properties were revalued at July 31, 2001 by CS 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 12 to the financial statements.

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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 13 to the financial statements.

Major Properties

Particulars of the major properties of the Group as at July 31, 2001 are set out on pages 61 to 62 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 26 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 27 to the financial statements.

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

Hui Kwong Wai, Eric

Chan Kei Kon

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. Hui Kwong Wai, Eric and Jonathan Michael Caplan retire by rotation and, being eligible, Mr. Hui Kwong Wai, Eric offers himself for re-election.

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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, 2001, 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

Name of director	Number of ordinary shares held
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, 2000 and July 31, 2001, Mr. Liu Ngai Wing had personal interests in 3,000,000 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. No share options were granted or exercised during the year.

Details of the Company's share option scheme are set out in note 27 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, 2001, 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.

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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.

Substantial Shareholders

At July 31, 2001, 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	%
Rocket High Investments Limited ("Rocket High")	80,399,926 (<i>note</i>)	16.7

Other than as disclosed above, the Company has not been notified of any other interests representing 10 percent or more in the Company's issued share capital at July 31, 2001.

Note: As disclosed in a circular issued to the shareholders of the Company dated September 8, 2000, Rocket High is beneficially and wholly-owned by Mr. David Chiu ("Mr. Chiu"). At July 31, 2001, Far East Consortium International Limited ("FECIL") is interested in 41,623,666 shares of the Company and Mr. Chiu together with his family members and associates are controlling shareholders of FECIL. Tokai Kanko Co., Ltd., a company in which Mr. Chiu holds a 40% interest, is also holding 27,372,000 shares of the Company. Accordingly, Mr. Chiu and his associates are interested in 149,395,592 shares of the Company (approximately 31% of the issued share capital of the Company) at July 31, 2001.

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Connected Transactions

During the year, the Company had entered into the following connected transactions:

- (i) 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. Full details of the transaction were disclosed in a circular issued to the shareholders of the Company dated September 8, 2000.
- (ii) On December 6, 2000, the Company entered into a conditional sale and purchase agreement (as supplemented by three supplemental agreements dated December 14, 2000, December 27, 2000 and March 27, 2001) with China Rich Holdings Limited ("China Rich") and Rocket High, a substantial shareholder of the Company, to acquire from China Rich the entire issued share capital of Marvelink Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of China Rich, and the rights and benefits of the respective shareholder's loan for a total consideration of HK\$646,800,000 ("Evergreen Agreement"). Rocket High had agreed to join as a party to the Evergreen Agreement in order to guarantee the due and full performance of the Company's obligations under the Evergreen Agreement. The principal activities of Marvelink Limited and its subsidiaries (the "Marvelink Group") are the organisation of a retirement club and the operations of holiday and medical centres and a golf resort in the People's Republic of China. The consideration will be satisfied as to HK\$120,000,000 in cash and as to HK\$526,800,000 by the issue and allotment of 1,097,500,000 new ordinary shares of HK\$0.40 each in the Company at a price of HK\$0.48 per share, credited as fully paid and each ranking *pari passu* with the existing shares of the Company in all respects. On May 7, 2001, the Board of Directors of the Company resolved to rescind the Evergreen Agreement as a result of an anticipatory breach by China Rich of certain warranties regarding title to certain properties of Marvelink Group which entitled the Company to rescind the agreement. Full details of the transaction were contained in the circular issued to the shareholders of the Company dated March 31, 2001 and disclosed in the announcements of the Company dated April 19, 2001, May 2, 2001 and May 10, 2001.
- (iii) On December 6, 2000, the Company also entered into a conditional sale and purchase agreement (as supplemented by supplemental agreements dated December 12, 2000 and March 27, 2001 and an extension letter dated January 19, 2001) with E-Cash Ventures Limited ("E-Cash"), a company incorporated in the British Virgin Islands and wholly owned by FECIL to dispose of its entire 15.33% interest in Mutual Luck Investment Limited ("Mutual Luck"), an investee company in which the Group holds as other securities, together with a shareholder's advance of HK\$123,222,298 for a cash consideration of HK\$120,000,000. Full details of the transaction were contained in a circular dated April 10, 2001.

Pursuant to another extension letter dated September 28, 2001, the Company and E-Cash agreed that the completion of the transaction to be extended and should be completed on or before November 30, 2001.

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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

The Company has complied throughout the year ended July 31, 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 (the "Listing Rules").

In 2000, the Company established an audit committee to review and supervise the Company's financial reporting process and internal controls. The current members of the Audit Committee are the Chairman and non-executive director. Mr. Liu Ngai Wing and two independent non-executive directors, Messrs. Masuo Yoshimochi and Wong Chui Kay.

Disclosure under Practice Note 19 of the Listing Rules

As at the date of this report, the Group has a gross advance of approximately HK\$123,222,000 (the "Advance") to Mutual Luck. 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, non-interest bearing and has no fixed repayment terms.

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

Chief Executive Officer

Hong Kong, November 23, 2001