

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 17 to the financial statements. Other than the discontinuance of the general trading business as further explained in note 6 to the financial statements, there were no changes in the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 69.

An interim dividend of HK\$0.01 per ordinary share was paid on 29 October 2001. The directors do not recommend the payment of a final dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on pages 70 and 71 of the annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's leasehold land and buildings and investment properties are set out on page 72 of the annual report.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in note 32 to the financial statements.

Report of the Directors *(continued)*

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The summary details of which are as follows:

Month	Number of shares repurchased	Price per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
October 2001	<u>792,000</u>	<u>0.60</u>	<u>0.57</u>	<u>458,300</u>

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares, of HK\$379,000, has been deducted from the share premium account of the Company.

The repurchases of the Company's shares during the year were effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2001, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$104,528,000. In addition, the Company's share premium account, in the amount of HK\$25,563,000, may be distributed in the form of fully paid bonus shares.

Report of the Directors *(continued)*

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 65% of the total turnover for the year and turnover to the largest customer included therein amounted to approximately 29%.

Purchases from the Group's five largest suppliers accounted for approximately 35% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 15%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Choi Wai Him

Mr. Wong Chi Kwong

Mr. Liang Yi Hua

Mr. Kwok Yu Kwong, James *(appointed on 1 November 2001)*

Independent non-executive directors:

Mdm. Chen Po Sum

Mr. Au Son Yiu

Mr. Tsao Kwang Yung, Peter

In accordance with the Company's bye-laws 87(1) and (2), Mr. Wong Chi Kwong will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. All of the other directors shall remain in office for the ensuing year.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 12 of the annual report.

Report of the Directors *(continued)*

DIRECTORS' SERVICE CONTRACTS

All of the executive directors have entered into service contracts with the Company for terms of two years commencing on 10 November 2000 and will continue thereafter unless and until terminated by either party with six months' prior notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 31 December 2001, the interests of the directors in the share capital and warrants of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Interests in the Company's shares

	Notes	Number of shares held as corporate interest
Mr. Choi Wai Him	(a)	177,000,000
Mr. Wong Chi Kwong	(b)	14,062,500
Mr. Kwok Yu Kwong, James	(c)	<u>1,100,000</u>

Interests in the Company's warrants

	Notes	Number of warrants held as corporate interest
Mr. Choi Wai Him	(a)	19,493,750
Mr. Wong Chi Kwong	(b)	1,406,250
Mr. Kwok Yu Kwong, James	(c)	<u>110,400</u>

Report of the Directors *(continued)*

DIRECTORS' INTERESTS IN SHARES AND WARRANTS *(continued)*

Notes:

- (a) 177,000,000 shares and 19,493,750 warrants are held by Perfect Land Limited of which the entire issued share capital is held by GMA Limited which is, in turn, wholly-owned by Mr. Choi Wai Him. These 177,000,000 shares represented an aggregate of 59.16% of the issued share capital of the Company as at 31 December 2001.
- (b) 14,062,500 shares and 1,406,250 warrants are held by Capetown International Limited of which the entire issued share capital is held by Mr. Wong Chi Kwong. These 14,062,500 shares represented an aggregate of 4.70% of the issued share capital of the Company as at 31 December 2001.
- (c) These 1,100,000 shares represented an aggregate of 0.37% of the issued share capital of the Company as at 31 December 2001.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' interests in shares and warrants" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

On 10 November 1999, the Company approved a share option scheme (the "Scheme") under which the directors may invite full-time employees of the Company or any of its subsidiaries, including any executive directors of the Company or any of its subsidiaries, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of the options to be granted may not exceed 10% of the share capital of the Company in issue from time to time. The Scheme remains in force for the period from 10 November 1999 to 9 November 2009.

The subscription price is determined by the directors and notified to each relevant director and employee. The subscription price should not be less than the greater of an amount equal to 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares.

No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

Report of the Directors *(continued)*

SHARE OPTION SCHEME *(continued)*

At the beginning of the year, there were 15,000,000 share options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during the period from 15 August 2000 to 14 August 2002. The subscription price payable upon the exercise of these options is HK\$1.02, subject to adjustment. No share option was exercised during the year.

Included in the total 15,000,000 share options are 3,000,000 options held by a director of the Company, Mr. Kwok Yu Kwong, James. All other share options are held by employees of the Group.

The price of the Company's shares as at the date of the grant of the share options was HK\$1.63, which is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

Summary details of the Company's share option scheme are also disclosed in note 32 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

SUBSTANTIAL SHAREHOLDERS

Other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and warrants" above, no person had registered an interest in the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

CONNECTED AND RELATED TRANSACTIONS

Details of the connected and related transactions of the Group during the year are set out in note 39 to the financial statements.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 40 to the financial statements.

Report of the Directors *(continued)*

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, throughout the accounting period covered by this report, except that the non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with bye-laws 87(1) and (2) of the Company.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with paragraph 14 of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises two of the independent non-executive directors of the Company, namely Mdm. Chen Po Sum and Mr. Au Son Yiu.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Choi Wai Him

Chairman

Hong Kong

30 April 2002