

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st July, 2002.

PRINCIPAL ACTIVITIES

The Company acts as a property and investment holding company. The activities of the principal subsidiaries are set out in note 15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st July, 2002, the aggregate amount of turnover and purchases attributable to the Group's largest customer and supplier, respectively, represented more than 94% of the Group's total turnover and purchases. The aggregate amount of turnover and purchases attributable to the Group's 5 largest customers and suppliers, respectively, represented approximately 100% of the Group's total turnover and 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 own more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 13.

No dividend was paid during the year.

RESERVES

Details of the movements during the year in the reserves of the Group and the Company are set out in note 30 to the financial statements.

INVESTMENT PROPERTIES

The Group's and the Company's investment properties were revalued at 31st July, 2002 by an independent firm of professional valuers, chartered surveyors, 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.

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 31st July, 2002 are set out on pages 60 and 61.



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SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 28 to the financial statements.

SHARE OPTIONS

The Company's share option scheme was adopted on 7th March, 1997 (the "Scheme") for the primary purpose of providing incentives to directors and eligible employees and will expire on 6th March, 2007. Under the Scheme, the Board of Directors of the Company (the "Board") may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company for a consideration of HK\$1 per lot of share options granted. Options granted should be accepted within 28 days from the date of offer of the options.

The exercise price is determined by the directors of the Company, and shall be equal to the higher of the nominal value of the Company's shares or 80 percent of the average closing price of the shares for the five business days immediately preceding the date of grant. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10 percent of the issued share capital of the Company from time to time.

No option shall be granted by any one person which if exercised in full would result in the total number of shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25 percent of the number of shares issued and issuable under all the options which may be granted under the Scheme at the time it is proposed to grant the said option to that person.

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is granted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted or 10 years from the date of the adoption of the Scheme, whichever is earlier. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Scheme by shareholders of the Company by resolution at a general meeting.

At 1st August, 2001, Mr. Liu Ngai Wing had personal interest in 3,000,000 share options, exercisable from 8th April, 1997 to 6th March, 2007, to subscribe for shares in the Company at an exercise price of HK\$0.5712 per share, subject to adjustment. The share options were lapsed upon his resignation on 2nd April, 2002. No share options were granted or exercised during the year. At 31st July, 2002, there was no option outstanding under the Scheme. Details of the movements during the year are set out in note 29 to the financial statements.

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DIRECTORS

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

Chairman and executive director:

Tse Cho Tseung (appointed on 2nd July, 2002)

Chairman and non-executive director:

Liu Ngai Wing (resigned on 2nd April, 2002)

Executive directors:

Lin Fung Yi (appointed on 22nd July, 2002)

Ding Chung Keung, Vincent (appointed on 2nd July, 2002)

Hui Kwong Wai, Eric (resigned on 2nd July, 2002)

Chan Kei Kon (resigned on 2nd July, 2002)

Yao Hon Ching (resigned on 1st October, 2002)

Independent non-executive directors:

Li Chok Sun, Sean (appointed on 2nd August, 2002)

Hong Ka Kei (appointed on 22nd July, 2002)

Masuo Yoshimochi

Cheng Yuk Wo (appointed on 2nd July, 2002 and resigned on 5th September, 2002)

Zhao Cong, Richard (appointed on 2nd July, 2002 and resigned on 2nd August, 2002)

Yeung Kong Sang (appointed on 16th April, 2002 and resigned on 2nd July, 2002)

Shek Lai-him, Abraham (appointed on 7th March, 2002 and resigned on 2nd July, 2002)

Wong Chui Kay (resigned on 10th April, 2002)

Jonathan Michael Caplan (retired on 28th December, 2001)

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Masuo Yoshimochi retires by rotation and, being eligible, offers himself for re-election.

In accordance with Article 94 of the Company's Articles of Association, Messrs. Tse Cho Tseung, Ding Chung Keung, Vincent, Li Chok Sun, Sean and Hong Ka Kei and Ms. Lin Fung Yi retire and, being eligible, offer themselves 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.



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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

Other than as disclosed in the section "Share options", at 31st July, 2002, the interest 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 was as follows:

Name of director	Nature of interest	Number of ordinary shares held
Mr. Tse Cho Tseung	Corporate	143,000,000 (Note)

Note: These shares are held by Tellus Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tse Cho Tseung, who was deemed to be interested in those shares.

Other than as disclosed above, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the sections "Share options" and "Directors' interests in shares", 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 any of 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' 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

Other than the interests disclosed above in respect of a director, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st July, 2002.

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CONNECTED TRANSACTIONS

On 6th December, 2000, the Company entered into a conditional sale and purchase agreement (the "Agreement") (as supplemented by supplemental agreements dated 12th December, 2000 and 27th March, 2001 and extension letters dated 19th January, 2001 and 28th September, 2001) with E-Cash Ventures Limited ("E-Cash"), a company incorporated in the British Virgin Islands and wholly owned by Far East Consortium International Limited ("FECI"), which had beneficial interest in the Company previously, to dispose of its entire 15.33% interest in Mutual Luck Investment Limited ("Mutual Luck"), an investee in which the Group held as other securities, together with a shareholder's advance of HK\$123,222,298 for a cash consideration of HK\$120,000,000 (the "Consideration"). Full details of the transaction were contained in a circular dated 10th April, 2001 and announcement dated 27th February, 2002. The completion documents were exchanged on 30th November, 2001.

Pursuant to the Agreement, E-Cash should pay the Consideration to the Company by cash of HK\$12,000,000 upon completion of the Agreement, of HK\$48,000,000 upon expiry of 3 months from the date of completion of the Agreement and of HK\$60,000,000 upon expiry of 6 months from the date of completion of the Agreement. As security for the performance of E-Cash's payment obligations after completion of the Agreement, E-Cash entered into a share pledge and a loan assignment in favour of the Company and FECI entered into a corporate guarantee in favour of the Company. During the year, HK\$12,000,000 was paid by E-Cash. On 28th February, 2002, FECI, E-Cash and the Company entered into a deed of release (the "Deed") whereby FECI issued unsecured transferable loan notes for a total sum of HK\$108,000,000 at a fixed interest rate of 5% per annum to the Company in lieu of the payment of the balance of the Consideration of HK\$108,000,000 and the Company released E-Cash from its payment obligations in respect of the said sum of HK\$108,000,000 under the Agreement, the share pledge, the loan assignment and FECI from the corporate guarantee. Pursuant to the Deed, the transferable loan notes of HK\$48,000,000 and HK\$60,000,000 are due on 27th February, 2005, and 30th May, 2005, respectively.

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 events occurring after the balance sheet date are set out in note 41 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st July, 2002 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").

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
TSE CHO TSEUNG
Chairman

15th November, 2002