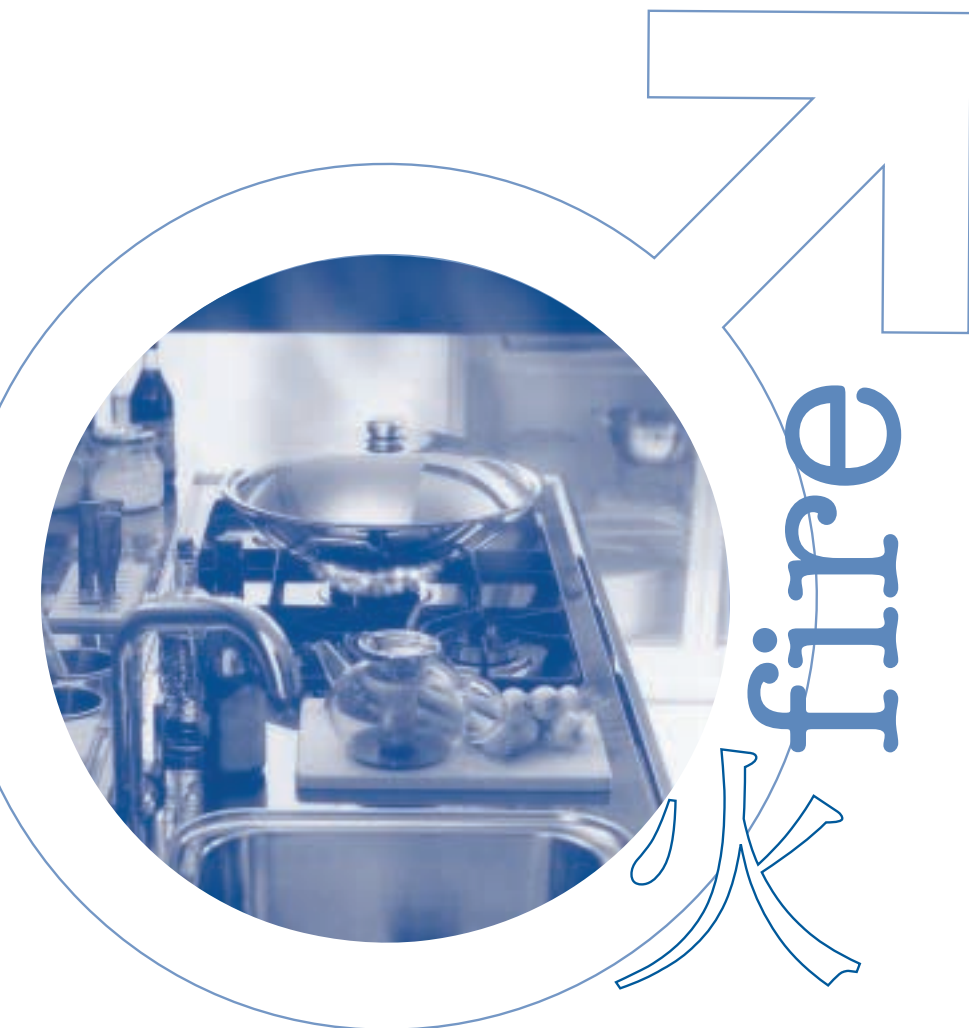


R e p o r t o f t h e D i r e c t o r s



The directors submit their report together with the audited accounts for the year ended 31st March, 2002.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the importing and sale of architectural builders hardware and bathroom collections in Hong Kong.

Details of the analysis of the Group's turnover and contribution to operating profit for the year by principal activity and market is set out in note 3 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2002.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 18 to the accounts.

Fixed assets

Details of the movements in fixed assets of the Group during the year are set out in note 11 to the accounts.

Share capital

Details of the share capital of the Company are set out in note 17 to the accounts.

Distributable reserves

Distributable reserves of the Company as at 31st March, 2002 amounted to HK\$133,968,000. Under Section 34 of the Companies Law (2000 Revision) of the Cayman Islands, the share premium is available for distribution to shareholders, provided that no distribution shall be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

Report of the Directors (cont'd)

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 19.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Directors

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

Mr. TSE Sun Fat, Henry

Mr. TSE Sun Po, Tony

Mr. TSE Sun Lung, Alan

Mr. LEE Chi Wah, Rhodes

Mr. MAK So (appointed on 24th April, 2001)

Mr. WONG Tin Cheung, Ricky (appointed on 24th April, 2001)

Mr. LAU Shiu Sun (appointed on 10th December, 2001)

Mr. LEUNG Kwong Kin*

Mr. WONG Wah, Dominic* (appointed on 19th June, 2001)

Dr. CHAN Nai Keong, Kenneth* (resigned on 22nd June, 2001)

Mr. LEUNG Ka Cheung (resigned on 10th December, 2001)

* Independent non-executive directors who entered into contracts with the Company for an initial fixed term of one year and thereafter shall continue for further successive periods of one year, provided that the Company may terminate the contracts at the end of each one year period by giving the other party at least one month's notice in writing thereof.

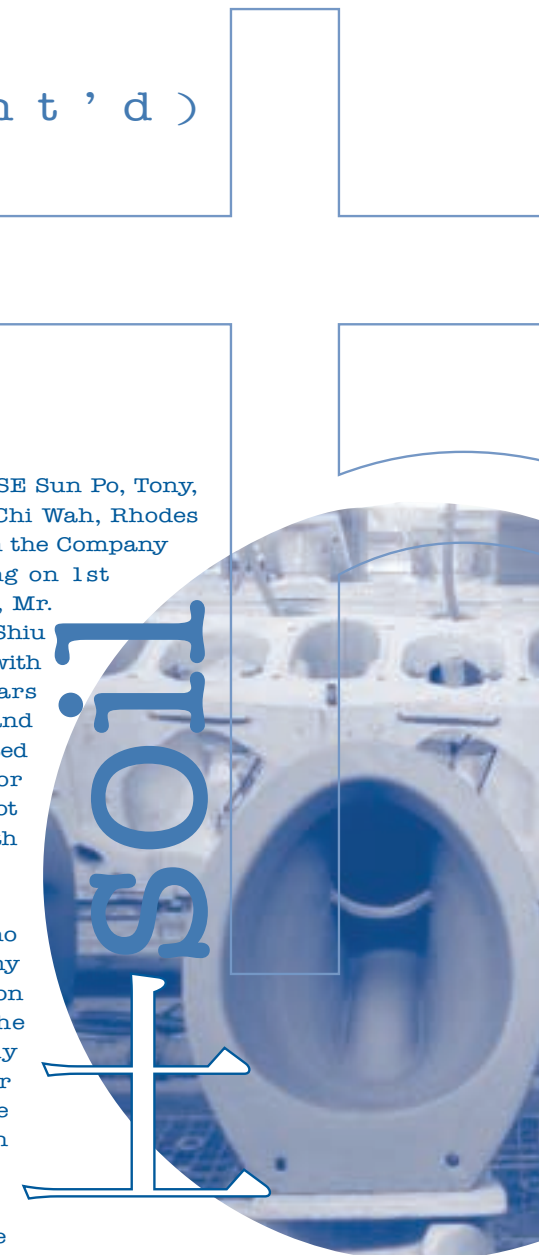
Mr. LAU Shiu Sun, Mr. LEE Chi Wah, Rhodes, Mr. TSE Sun Po, Tony and Mr. LEUNG Kwong Kin shall retire at the forthcoming annual general meeting in accordance with Articles 86(3) and 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Directors' service contracts

Each of Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan and Mr. LEE Chi Wah, Rhodes has entered into a service contract with the Company for a term of three years commencing on 1st March, 2000 and each of Mr. MAK So, Mr. WONG Tin Cheung, Ricky and Mr. LAU Shiu Sun has entered into a service contract with the Company for a term of three years commencing on 10th December, 2001 and will continue thereafter unless terminated by either party by three months' prior written notice to other party expiring not earlier than 28th February, 2003 and 9th December, 2002, respectively.

In addition, Mr. LEUNG Ka Cheung, who had a service contract with the Company for a term of three years commencing on 1st March, 2000, resigned during the year. Mr. LEUNG and the Company mutually agreed to waive their respective rights as set out in the contract despite the early termination of the contract.

Save as disclosed herein, none of the directors of the Company has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).



Directors' interests in contracts

Save as disclosed under the section "Connected transactions" below, no other contracts of significance in relation to the Group's business to which the Company, its subsidiaries or holding companies 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.

Directors' benefits from rights to acquire shares or debentures

Under the terms of the Company's share option scheme adopted on 22nd March, 2000, the board of directors of the Company may, at their discretion, invite any full-time employees or executive directors of the Company or any of its subsidiaries to subscribe for ordinary shares of HK\$0.10 each in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company. No options have been granted to the directors since its adoption. The Stock Exchange of Hong Kong Limited amended the Listing Rules governing share option schemes. The new requirements have come into effect from 1st September, 2001 and render some of the provisions of the existing Share Option Scheme no longer applicable.

Apart from the above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in equity securities

At 31st March, 2002, the interests of the directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Interests in shares of the Company

Director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. TSE Sun Fat, Henry (<i>Note 1</i>)	–	–	–	140,000,000
Mr. TSE Sun Po, Tony (<i>Note 1</i>)	–	140,000,000	–	140,000,000

Note 1: Bache Hill Group Limited ("BHGL") is holding these shares. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr. TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr. TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

Report of the Directors (cont'd)

Interests in shares of associated corporations

(i) BHGL

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry (Note 2)	–	–	–	30,491	30,491
Mr. TSE Sun Po, Tony (Note 2)	–	30,491	–	30,491	30,491
Mr. TSE Sun Lung, Alan	3,025	–	–	–	3,025
Mr. LEE Chi Wah, Rhodes	965	–	–	–	965
Mr. WONG Tin Cheung, Ricky	1,265	–	–	–	1,265

Note 2: These shares are held by Tse Brother Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. Tse Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr. TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules. In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr. TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

(ii) Negotiator Consultants Limited ("NCL")

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry (Note 3)	–	–	–	1	1
Mr. TSE Sun Po, Tony (Note 3)	–	1	–	1	1

Note 3: Such share is held by BHGL. Accordingly, the interest of Mr. TSE Sun Fat, Henry is regarded as "other interest" and the interests of Mr. TSE Sun Po, Tony are regarded as "family interest" and "other interest", respectively as described in Practice Note 5 of the Listing Rules.

Biographical details of directors and senior management

Executive directors

Mr. TSE Sun Fat, Henry, aged 45, is a founding member of the Group and the Chairman of the Company. Mr. TSE has over 24 years of experience in the trading of building materials. He is responsible for the planning of the Group's overall strategies and the overall management of the Group.

Mr. TSE Sun Po, Tony, aged 43, is the managing director of the Company and joined the Group in 1979. Mr. TSE has over 24 years of experience in the trading of building materials and is responsible for the retail business of the Group. Mr. TSE also assists in the strategic planning and management of the Group. He is a brother of Mr. TSE Sun Fat, Henry, the Chairman of the Group.

Mr. LEE Chi Wah, Rhodes, aged 39, is the deputy managing director of the Company. He joined the Group in 1982. Mr. LEE has over 20 years of experience in the trading of building materials and is responsible for project sales and marketing of products distributed by the Group.

Mr. TSE Sun Lung, Alan, aged 35, is an executive director of the Company. He joined the Group in 1990 and is now responsible for project sales and the marketing of products distributed by the Group. Mr. TSE Sun Lung, Alan is a cousin of Mr. TSE Sun Fat, Henry and Mr. TSE Sun Po, Tony.

Mr. MAK So, aged 62, joined the Group in 1993. Mr. MAK was appointed as an executive director of the Company on 24th April, 2001 and is responsible for co-ordinating the sales and marketing activities of the Group. He has over 34 years of experience in the building materials industry. Prior to joining the Group, Mr. MAK worked for Chau, Lee & She, Architects & Engineers, Town Planning Consultants as an office manager for 26 years.

Mr. WONG Tin Cheung, Ricky, aged 59, joined the Group in 1979. Mr. WONG was appointed as an executive director of the Company on 24th April, 2001, and is also a director of two subsidiaries of the Company and is responsible for the operation of the Group in project management. He has over 22 years of experience in selling building materials and was a civil servant before joining the Group.

Mr. LAU Shiu Sun, aged 35, joined the Group in 1994. Mr. LAU was appointed as an executive director of the company on 10th December 2001, before his appointment, Mr. lau was a sales manager of the Group and is responsible for project sales. He graduated from Hong Kong Baptist University (formerly Baptist College) in 1992 with a bachelor of science degree.

Mr. LEUNG Ka Cheung, aged 41, was the Finance Director and Company Secretary of the Company and was responsible for accounting and finance related activities. Mr. LEUNG joined the Group in 1984. Mr. LEUNG obtained a master's degree of business administration from International Management Centre, United Kingdom. He is also a member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, the Association of International Accountants and the Chartered Institute of Marketing. Mr. LEUNG resigned as an executive director of the Company and left the Group on 10th December 2001.

Non-executive directors

Mr. LEUNG Kwong Kin, aged 55, was appointed as an independent non-executive director in January 2000. Mr. LEUNG is a senior director of Wong Lam Leung & Kwok C.P.A. Ltd.. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Association of International Accountants. Mr. LEUNG is also a member of the Macau Society of Certified Practising Accountants, the Society of Chinese Accountants & Auditors, the Taxation Institute of Hong Kong, the Institute of Management and the International Institute of Management.

Mr. WONG Wah, Dominic, aged 53, was appointed as an independent non-executive director on 19th June, 2001. He graduated from the Chinese University of Hong Kong in 1972 with honours bachelor's degree of Social Science in Economics. He was appointed director and general manager of Hongkong Ferry (Holdings) Ltd., formerly The Hongkong & Yaumatei Ferry Co., Ltd. until late 1989. He has been actively involved in China trade and garment industry over the last few years.

Report of the Directors (cont'd)

Dr. CHAN Nai Keong, Kenneth, C.B.E., J.P., aged 70, joined the Group in January 2000. He holds a first class honours diploma in civil engineering from the Loughborough College, UK and a honorary degree of doctor of technology from the Loughborough University, UK. He joined the Public Works Department of Hong Kong Government in 1952 and held the position of the Secretary for Lands and Works during 1983-1986. He is presently a consultant of Parsons Brinckerhoff (Asia) Limited, a consulting engineering company based in Hong Kong. He has served as an Official Member of the Legislative Council. Dr. CHAN is a fellow of the Royal Academy of Engineering, The Institution of Civil Engineers, The Institution of Structural Engineers, The Hong Kong Academy of Engineering Sciences and The Hong Kong Institution of Engineer. Dr. CHAN resigned as an independent non-executive director of the Company on 22nd June, 2001.

Senior management

Mr. TSE Sun Ming, Almond, aged 42, is a director of three subsidiaries of the Company and a founding member of the Group. Mr. TSE has over 24 years of experience in the building materials industry and is responsible for product sourcing and development. He is a cousin of Mr. TSE Sun Fat, Henry and Mr. TSE Sun Po, Tony and a brother of Mr. TSE Sun Lung, Alan.

Mr. AU Lai Chuen, Hercules, aged 45, joined the Group in 1982 and is a director of two subsidiaries of the Company. Mr. AU has over 24 years of experience in the building materials industry and is responsible for project related sales and marketing activities.

Mr. YICK Kai Chung, aged 43, joined the Group in 1979 and is a director of two subsidiaries of the Company. Mr. YICK has over 24 years of experience in building materials industry and is responsible for overseeing major accounts and wholesale business of the Group and products sourcing and technical support.

Mr. CHAN Sau Lam aged 47, joined the Group in 1979. Mr. CHAN is a sales director of the Group and is responsible for co-ordinating sales related to the market in the People's Republic of China. He has over 22 years of experience in selling building materials.

Mr. LO Wai Man, aged 48, joined the Group in 1979. Mr. LO is a technical director and is responsible for overseeing provision of technical support for bathroom collections. He has over 22 years of experience in selling building materials and is a licensed plumber.

Mr. SHUM Lup Chi, aged 46, joined the Group in 1982. Mr. SHUM is the office manager and is responsible for office internal control and cost analysis. He had worked for various solicitor firms for 6 years before joining the Group.

Mr. NG Sheung Yiu, aged 40, joined the Group in 1984. Mr. NG is the chief designer for corporate brochure and retail shops of the Group and responsible for all kinds of graphic design and assisting in the interior design of the Group's retail outlets.

Mr. MA Sze Ho, aged 41, joined the Group in 1979. Mr. MA is a sales director in charge of major wholesales accounts. He has over 22 years experience in selling building materials.

Mr. CHAN Chiu Keung, aged 54, joined the Group since 1976. Mr. CHAN is the manager of the Mongkok retail shop of the Group and is in charge of overall shop management of that shop. He has over 26 years of experience in retail business.

Mr. CHANG Kai Chuen, aged 28, joined the Group in 1991. Mr. CHANG is a sales manager of the Group and is responsible for project sales.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st March, 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of Shareholder	Number of Shares
BHGL	140,000,000
Tse Brothers Assets Management Limited (<i>Note 4</i>)	140,000,000
Messrs. Kelvin K W Cheung & Chu Hei Chun (<i>Note 4</i>)	140,000,000

Note 4: BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited, the entire issued share capital of which is in turn held by Messrs. Kelvin K W Cheung & Chu Hei Chun (who are the trustees of the Tse's Family Trust). Tse Brothers Assets Management Limited and Messrs. Kelvin K W Cheung & Chu Hei Chun are respectively taken to be interested in these shares under Section 8(2) of the SDI Ordinance.

Information pursuant to Practice Note 19 of the Listing Rules

The directors of the Company are not aware of any circumstances which would give rise to any disclosure obligations under Practice Note 19 of Listing Rule as at 31st March, 2002.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Nothingness is used to denote the state that existed before the birth of heaven and earth.
Reality is used to denote the state where the multitude of things begins to have a separate existence.

「無」名天地之始，「有」名萬物之母。

Report of the Directors (cont'd)

Major customers and suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

The largest supplier	15%
Five largest suppliers combined	42%

Sales

The largest customer	7%
Five largest customers combined	20%

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Audit committee

An audit committee, comprising two independent non-executive directors, namely Dr CHAN Nai Keong, Kenneth and Mr. LEUNG Kwong Kin, was established on 22nd March, 2000. Mr. WONG Wah, Dominic has joined and Dr CHAN Nai Keong, Kenneth has ceased as an audit committee member since their respective appointment and resignation dates as independent non-executive director respectively as set out on page 11.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee have been prepared and adopted by the Board of the Company. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

During the year, the audit committee met a few times with management to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters (including the interim and annual accounts prior to recommending them to the Board for approval).

Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the directors of the Company, the Company has complied throughout the year ended 31st March, 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.

Pension scheme arrangements

The Group operated a defined contribution retirement scheme (the "scheme") for its employee who joined the group before 1st December 2000. During the year, the scheme was terminated and transferred to the Mandatory Provident Fund Scheme (the "MPF" scheme) in line with all employees who have opted for the MPF scheme since 1st December, 2000. The MPF scheme is a defined contribution retirement benefit scheme administered by the independent trustees. Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions.

The aggregate employer's contributions under the above schemes amounted to approximately HK\$1,928,000 have been dealt with in the profit and loss account of the Group for the year ended 31st March, 2002. As at 31st March, 2002 there were no forfeited contributions available to offset future employer's contributions to the MPF Scheme.

Connected transactions

The related party transaction as disclosed in note 23 to the accounts for the year ended 31st March, 2002 in respect of rental expenses of approximately HK\$2,736,000 paid to NCL also constitutes a connected party transaction. NCL is a fellow subsidiary of the Company in which Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan, Mr. LEE Chi Wah, Rhodes, Mr. WONG Tin Cheung, Ricky and a former director, Mr. LEUNG Ka Cheung, have beneficial interests. The Stock Exchange has granted conditional waivers to the Company from strict compliance with the requirements of Chapter 14 of the Listing Rules. In the opinion of the directors including the independent non-executive directors of the Company, the transactions were conducted in the ordinary course of the business of the Group and in accordance with the terms of the agreements.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

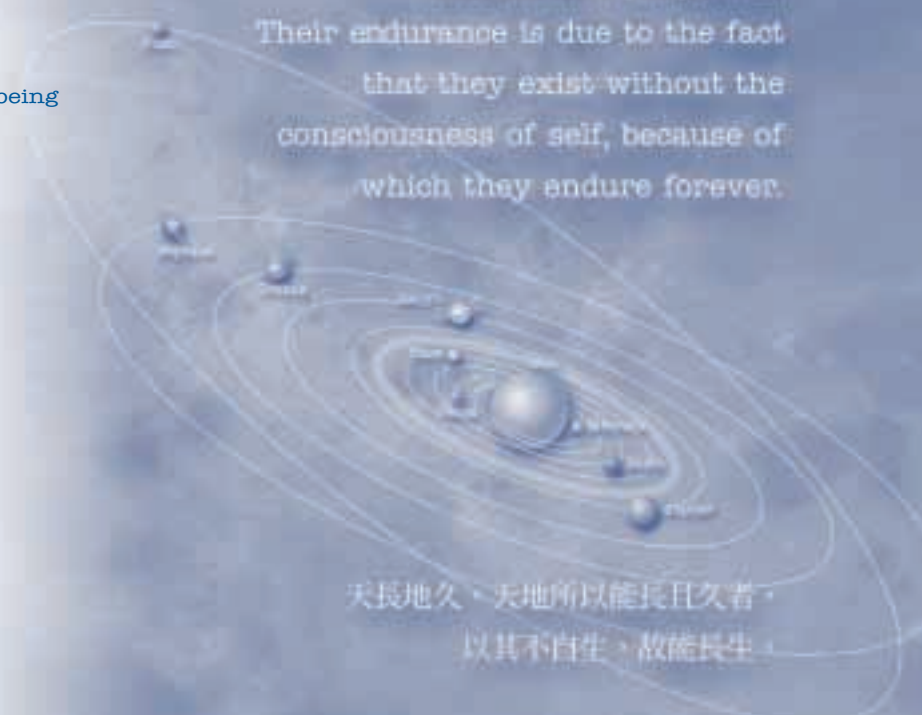
On behalf of the Board



TSE Sun Fat, Henry

Chairman

Hong Kong, 19th July, 2002



Heaven is everlasting,
and earth is perpetual.
Their endurance is due to the fact
that they exist without the
consciousness of self, because of
which they endure forever.

天長地久、天地所以能長且久者、
以其不自生、故能長生。