

The directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 11 to the accounts.

An analysis of the Group's performance for the year, which arose mainly in Hong Kong, by business segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 15.

The directors have not declared any interim dividend and do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st March, 2002, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$182,457,000 (2001 as restated: HK\$187,100,000).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 10 to the accounts.

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 49.

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	20%
— five largest suppliers combined	61%

Sales

— the largest customer	15%
— five largest customers combined	25%

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

Report of the Directors (Continued)

DIRECTORS

The directors during the year were:

Mr. Yeung Ping Leung, Howard
 Mr. Tang Yat Sun, Richard
 Mr. Cheng Kwai Yin
 Dr. Ho Tim
 Dr. Sin Wai Kin
 Mr. Cheng Ka On, Dominic
 Mr. Yeung Bing Kwong, Kenneth
 Ms. Fung Chung Yee, Caroline
 Mr. Lau To Yee
 Mr. Cheng Kar Shing, Peter
 Mr. Wong Wei Ping, Martin

Brief biographical details of the directors are set out on pages 5 and 6.

In accordance with Article 116 of the Company's Articles of Association, Mr. Yeung Ping Leung, Howard, Mr. Yeung Bing Kwong, Kenneth, Ms. Fung Chung Yee, Caroline and Mr. Lau To Yee will retire by rotation at the coming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

The independent non-executive directors during the year were Messrs. Cheng Kwai Yin, Lau To Yee and Cheng Kar Shing, Peter. They are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with Article 116 of the Articles of Association of the Company.

None of the directors has 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

At 31st March, 2002, the interests of the directors and their associates in the issued shares of the Company as recorded in the register maintained by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

	Number of ordinary shares held		
	Personal	Family	Total
Mr. Tang Yat Sun, Richard	3,585,000	Nil	3,585,000
Mr. Cheng Kwai Yin	2,224,000	Nil	2,224,000
Dr. Sin Wai Kin	1,792,500	Nil	1,792,500
Mr. Cheng Ka On, Dominic	4,020,000	15,000	4,035,000

The Company had not granted to the directors (including their respective spouses and children under 18 years of age) any rights to subscribe for shares of the Company during the year.

DIRECTORS' INTERESTS (Continued)

During the year the following contracts were entered into by the Group:

1. The premises occupied by the Group in King Fook Building, Des Voeux Road Central, Hong Kong are leased on normal commercial terms from Stanwick Properties Limited, which is a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company.

The Company has also entered into a licence agreement with Yeung Chi Shing Estates Limited pursuant to which the Company was granted an exclusive right for the design, manufacture, and distribution of gold and jewellery products under the trademark of "King Fook" on a worldwide basis for a total consideration of HK\$1. The contract commenced from 7th December, 1998 and does not fix the termination date.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth are directors of Yeung Chi Shing Estates Limited. These directors together with other members of their family have a controlling interest in Yeung Chi Shing Estates Limited.

2. King Fook Jewellery Group Limited occupies shop premises on the ground and first floors of the Miramar Hotel which are leased from Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited (a substantial shareholder of the Company), on normal commercial terms. Mr. Tang Yat Sun, Richard, Dr. Ho Tim, Dr. Sin Wai Kin and Mr. Cheng Ka On, Dominic are directors and shareholders of Miramar Hotel and Investment Company, Limited. Mr. Yeung Ping Leung, Howard is a director of Miramar Hotel and Investment Company, Limited.
3. The Company has entered into a consultation service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides consultation services to the Group for the year ended 31st March, 2002 at fees totaling HK\$1,710,000. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of Verbal and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.
4. The Group has borrowed an unsecured short term loan of HK\$20,000,000 from a director of the Company during the year. The loan is repayable within 12 months from the balance sheet date. Interest was charged on the loan at 2% to 4.5% per annum.

The above transactions constitute connected transactions as defined under chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). Details of these transactions are also shown in note 26 to the accounts.

Apart from the foregoing, no other contracts of significance in relation to the Company's business 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.

Apart from the foregoing, 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.

Report of the Directors (Continued)

DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below is information disclosed pursuant to rule 8.10 of the Listing Rules:

Mr. Cheng Kar Shing, Peter, an independent non-executive director of the Company, is a director of Chow Tai Fook Jewellery Co. Ltd. ("Chow Tai Fook"). The gold ornament, jewellery and watch retailing business of Chow Tai Fook may compete with similar business of the Group.

Dr. Sin Wai Kin is the chairman of Myer Jewelry Manufacturer Limited. The manufacturing and trading of fine and costume jewellery business of Myer Jewelry Manufacturer Limited and its subsidiaries ("Myer Group") may compete with similar business of the Group.

Mr. Tang Yat Sun, Richard is a director of Hang Seng Bank Limited ("Hang Seng"). The bullion trading, securities broking and money changer business of Hang Seng may compete with similar business of the Group.

The Group has experienced senior management independent of the above named directors to conduct its business and so is capable of carrying on its business independently of and at arms length from the respective businesses of Chow Tai Fook, Myer Group and Hang Seng.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of bank loans, overdrafts and other borrowings of the Group are set out under current liabilities of the consolidated balance sheet and note 23 to the accounts.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2002, the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that the Company has been notified of the following substantial shareholders' beneficial 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.

Name of shareholder	Number of ordinary shares held
Yeung Chi Shing Estates Limited	193,145,055
Miramar Hotel and Investment Company, Limited	67,912,000

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.

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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

During the year under review, the Company was in compliance with the Code of Best Practice as set out in appendix 14 of the Listing Rules except that:

1. the directors have not established an audit committee to review and supervise the Group's financial reporting process and internal controls; and
2. the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's Articles of Association.

AUDITORS

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

On behalf of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 12th July, 2002