

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 39 to the financial statements.

CHANGE OF DOMICILE

Pursuant to a special resolution passed on 26 April 2002, the Company's domicile was changed from the Cayman Islands to Bermuda, whereby the Company deregistered from the Cayman Islands and registered as an exempted company in Bermuda with limited liability.

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 24.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 11 and 12 to the financial statements respectively.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

DIRECTORS

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

Executive directors:

Robert Fung Hing Piu	(also appointed as alternative director to Mr. Cyril Fung Hing Chiu on 3 October 2001)
Alexander Tse Tack Huen	
Cyril Fung Hing Chiu	(appointed on 29 September 2001)
Kenneth Fung Hing Cheung	(appointed on 29 September 2001)
Andy Pang Kwong Wah	(appointed on 29 September 2001)
Richard Lum Chor Wah	(resigned on 18 July 2001)
Kenneth Mak Kar Shun	(removed on 28 January 2002)
Cheung Kam Wa	(appointed on 3 August 2001 and removed on 29 January 2002)
Chang Li	(appointed on 29 September 2001 and resigned on 15 January 2002)
Wu Xuemin	(appointed on 29 September 2001 and removed on 1 February 2002)

Non-executive directors:

Horace Yao Yee Cheong	(redesignated as non-executive director on 31 January 2002)
Daniel Kenneth Fung	(appointed on 29 September 2001)
Sir Kenneth Fung Ping Fan	(deceased on 16 May 2002)

Independent non-executive directors:

Thomas John Kenan	
Iain F. Bruce	(appointed on 29 November 2001)
Barry J. Buttifant	(appointed on 11 December 2001)
Jennifer Yip Li Yuet Fong	(resigned on 29 September 2001)

In accordance with clause 86(2) of the Company's Bye-Laws, Messrs. Cyril Fung Hing Chiu, Kenneth Fung Hing Cheung, Andy Pang Kwong Wah, Barry J. Buttifant, Daniel Kenneth Fung and Iain F. Bruce, who were appointed during the period from the last annual general meeting to the date of this report, retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In addition, in accordance with clause 87(1) of the Company's Bye-Laws, Mr. Alexander Tse Tack Huen shall retire at the forthcoming annual general meeting by rotation and, being eligible, offer himself for re-election.

The term of office of each non-executive director and independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company and its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2002, the interests of the directors and their associates in the share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") which have been notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under section 31 or Part 1 of the Schedule to the SDI Ordinance) or which are required pursuant to section 29 of the SDI Ordinance to be entered in the register or pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") referred to therein are as follows:

Interests in shares of the Company

Directors	Number of shares		
	Personal interests	Other interests	Total interests
Robert Fung Hing Piu (Note 1)	–	740,171,122	740,171,122
Cyril Fung Hing Chiu (Note 1)	–	740,171,122	740,171,122
Kenneth Fung Hing Cheung (Note 1)	40,408,000	740,171,122	780,579,122
Horace Yao Yee Cheong (Note 2)	20,545,031	596,714,838	617,259,869
Alexander Tse Tack Huen	1,000,000	–	1,000,000

Notes:

1. Dr. Robert Fung Hing Piu, Mr. Cyril Fung Hing Chiu and Mr. Kenneth Fung Hing Cheung are the objects of a discretionary trust, the trustees of which, being GZ Trust Corporation, owns the entire issued share capital of Golden World International Corp., which in turn, owns the entire issued share capital of Grandom Asia Trading Limited. Grandom Asia Trading Limited directly owns 238,859,945 shares in the Company and is also (directly/indirectly) interested in more than one-third of the voting rights of Dransfield Holdings (International) Limited and Grandom Overseas Limited, each of which directly owns 439,539,920 shares and 61,771,257 shares respectively in the issued share capital of the Company.
2. Certain family members of Mr. Horace Yao Yee Cheong are the objects of the discretionary trust, the trustees of which owns the entire issued share capital of Makdavy Holdings Limited, which owns the entire issued share capital of Grandom Inc. Grandom Inc. is deemed to be interested in more than one-third of the voting shares of Dransfield Holdings (International) Limited and Grandom Overseas Limited. Grandom Inc. directly held 95,403,661 shares in the Company and via Dransfield Holdings (International) Limited and Grandom Overseas Limited indirectly held 439,539,920 shares and 61,771,257 shares respectively, in the issued share capital of the Company.

Save as disclosed above, none of the directors or other associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance as recorded in the register kept by the Company under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company's share option scheme (the "Scheme") was adopted on 3 April 1993 for the primary purpose of providing incentives to directors and eligible employees and will expire on 2 April 2003. Under the Scheme, the board of directors of the Company 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\$10 for each lot of share options granted. Options granted should be accepted within 28 days from the date of grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the Company's shares, and 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

At 31 March 2002, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 23,400,000 shares, representing 1.39% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

No option may be granted to 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% 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.

The period during which an option may be exercised is a period of 3 years commencing on the expiry of 12 months after the date upon which the option is accepted in accordance with the Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

The following table discloses movements in the Company's share options during the year:

Directors	Exercise price HK\$	Exercisable period	Number of share options			
			At 1.4.2001	Exercised during the year	Lapsed during the year	At 31.3.2002
Robert Fung Hing Piu	0.20 or 0.18	6 March 2001 to 5 March 2002 or 6 March 2002 to 2 April 2003	2,000,000	–	–	2,000,000
Alexander Tse Tack Huen	0.20 or 0.18	6 March 2001 to 5 March 2002 or 6 March 2002 to 2 April 2003	350,000	–	–	350,000
	0.10	1 December 2001 to 2 April 2003	500,000	(500,000)	–	–
Richard Lum Chor Wah	0.10	1 December 2001 to 2 April 2003	15,000,000	–	(15,000,000)	–
Horace Yao Yee Cheong	0.20 or 0.18	6 March 2001 to 5 March 2002 or 6 March 2002 to 2 April 2003	12,000,000	–	–	12,000,000
	0.10	1 December 2001 to 2 April 2003	6,000,000	–	–	6,000,000
Kenneth Mak Kar Shun	0.10	1 December 2001 to 2 April 2003	5,000,000	(5,000,000)	–	–
			40,850,000	(5,500,000)	(15,000,000)	20,350,000
Employees	0.30	25 August 1999 to 24 August 2001	975,000	–	(975,000)	–
	0.10	21 June 2000 to 2 April 2003	2,050,000	–	(2,000,000)	50,000
	0.20 or 0.18	6 March 2001 to 5 March 2002 or 6 March 2002 to 2 April 2003	2,400,000	–	(2,400,000)	–
	0.10	1 December 2001 to 2 April 2003	7,000,000	–	(4,000,000)	3,000,000
			12,425,000	–	(9,375,000)	3,050,000
			53,275,000	(5,500,000)	(24,375,000)	23,400,000

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$0.148.

The exercise in full of the remaining unexpired share options would, under the present capital structure of the Company, result in the issue of 23,400,000 (2001: 52,300,000) additional ordinary shares of HK\$0.10 each and aggregate proceeds before issue expenses of HK\$3,488,000 (2001: HK\$6,520,000).

Save as disclosed above, 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 debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, 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 during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance subsisted at any time during the year 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.

SUBSTANTIAL SHAREHOLDERS

Other than disclosed above in section of directors' interests in securities, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March 2002 as shown on the register of interest required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries during the year.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 38 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 35% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 23% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30% of the total purchases of the Group.

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

CORPORATE GOVERNANCE

In the opinion of directors, the Company has complied throughout the year ended 31 March 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the accounting period covered by this report. During the year, the audit committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the group and discussed auditing and financial reporting matters, including the review of the interim and annual financial statements of the Group.

AUDITORS

During the year, Messrs. Ernst & Young, who acted as auditors of the Company for the past three years resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. A resolution will be submitted to the Annual General Meeting of the Company to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Robert Fung Hing Piu

CHAIRMAN

23 July 2002