

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 13 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest suppliers accounted for 49% of the Group's total purchases. The largest supplier accounted for 34% of the Group's total purchases.

During the year, the Group's five largest customers accounted for 100% of the Group's total sales. The largest customer accounted for 56% of the Group's total sales.

Save as disclosed in note 25 to the financial statements, neither the directors, their associates nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital, held any interest in the Group's five largest customers or suppliers.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 July 2002 are set out in the consolidated income statement on page 17 and the accompanying notes to the financial statements. As at 31 July 2002, the Company did not have any reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda (as amended). Accordingly, the directors do not recommend the payment of a dividend in respect of the year ended 31 July 2002.

FINANCIAL SUMMARY

A financial summary of the published results of the Group and of its assets and liabilities for the last five financial periods is set out on page 56. The summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 19 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Leung Yu Oi Ling, Irene

Chan Kim Leung

(resigned on 27 September 2002)

Leung Chi Yin, Gillian

(appointed as non-executive director on 29 March 2001 and redesignated as executive director on 27 September 2002)

Independent non-executive directors:

Pao Ping Wing

Wong Pui Fai

(resigned on 28 April 2002)

Yuen Ming Fai, Matthew

(appointed on 28 April 2002)

In accordance with clause 102(B) of the Company's Bye-Laws, Prof. Yuen Ming Fai, Matthew holds office only until the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with clause 99(A) as amended by clause 182 (vi) of the Company's Bye-Laws, Mr. Pao Ping Wing will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Save as disclosed in note 25 to the financial statements, no contracts 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.

Save as disclosed in note 25 to the financial statements, the directors are not aware of any connected transactions not otherwise dealt with in this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company's share option scheme was adopted on 6 September 1991 and expired on 6 September 2001. As at 1 August 2001, there were no outstanding share options. No new share options were granted during the year under the share option scheme before its expiry.

In addition, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporation.

DIRECTORS' INTERESTS IN SHARES

As at 31 July 2002, the interests of the Company's directors and their respective associates in the issued share capital of the Company and 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:

A. Interest in the Company

Name of director	Number of shares and nature of interest	
	Personal	Other
Leung Yu Oi Ling, Irene	297,000	254,740,653 <i>Notes (1)</i>
Leung Chi Yin, Gillian	100,000	254,740,653 <i>Notes (1)</i>

DIRECTORS' INTERESTS IN SHARES *(Continued)*

A. Interest in the Company *(Continued)*

Note:

- (1) 254,740,653 ordinary shares of the Company are held by Harbour Front Limited ("Harbour Front") or its designated nominees, as the trustee of a unit trust. All of the units in the unit trust are beneficially owned by a discretionary trust.

B. Interest in Universal Dockyard Limited (a 98.75% owned subsidiary of the Company)

Name of director	Number of shares	Nature of interest
Leung Yu Oi Ling, Irene	11,858 non-voting deferred shares	Family

Notes:

The rights and restrictions attached to the non-voting deferred shares in Universal Dockyard Limited are as follows:

- (1) The non-voting deferred shares are beneficially owned by Mr. Leung Yat Tung, husband of Mrs. Leung Yu Oi Ling, Irene, who was declared bankrupt on 1 March 2001;
- (2) The non-voting deferred shares entitle the holders to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of the company in respect of which the net profit of the company available for dividends exceed HK\$1,000,000,000;
- (3) On a winding-up, the holders of the non-voting deferred shares are entitled to a return of the capital paid up on the non-voting deferred shares, out of the surplus assets of the company after a total sum of HK\$100,000,000,000 has been distributed in such a winding-up in respect of each of the ordinary shares of the company;
- (4) Save as described above, the holders of the non-voting deferred shares are not entitled to any participation in the profit or assets of the company; and
- (5) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company by virtue or in respect of their holdings of such non-voting deferred shares.

In addition to the above, certain directors had non-beneficial personal equity interests in certain subsidiaries held for the benefit of the respective holding company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above and under the heading "Directors' rights to acquire shares", none of the directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31 July 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following shareholders with interest representing 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares held
Harbour Front	254,740,653
Matthew O'Driscoll (<i>Note (1)</i>)	252,306,195

Save as disclosed above, the Company has not been notified of any other interest representing 10% or more in the issued share capital of the Company as at 31 July 2002.

Note:

- (1) Matthew O'Driscoll is the Scheme Administrator of the Scheme of Arrangement of the Company and the Scheme Participating Subsidiaries (the "Scheme"), and holds 252,306,195 shares on trust for the non-preferential Scheme Creditors pending distribution pursuant to the terms of the Scheme.

POST BALANCE SHEET EVENT

Particulars of the significant event which occurred after the balance sheet date are set out in note 27 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company established an Audit Committee on 2 January 1999, comprising two independent non-executive directors. The primary duties of the Audit Committee are to review and advise on the problems on the audit and the financial reporting process.

COMPLIANCE WITH THE CODE OF BEST PRACTICE *(Continued)*

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this Annual Report, except that the independent non-executive directors of the Company are not employed for specific term, but are subject to retirement and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

AUDITORS

Ernst & Young resigned and Grant Thornton were appointed as auditors of the Company on 17 October 2001. Apart from this, there have been no other changes of auditors in the past three years.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

Leung Yu Oi Ling, Irene

Chairman

Hong Kong

29 November 2002