

REPORT OF THE DIRECTORS

The directors of Kim Eng Holdings (Hong Kong) Limited (the "Company") have pleasure in submitting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading and investment. The principal activities of its subsidiaries are provision of corporate finance and corporate advisory services.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2003 is set out in note 3 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 15 to 47.

A special interim dividend of HK\$2.5 per share totalling HK\$180,000,000 was paid on 4 October 2002 and an interim dividend of HK 2 cents per share totalling HK\$1,440,000 was paid on 30 December 2002.

The directors recommend the payment of a final dividend of HK 2 cents per share to the shareholders registered in the Register of Members of the Company at the close of business on 7 July 2003 payable on 11 July 2003 for the year ended 31 March 2003. This recommendation has been incorporated in the financial statements as an appropriation of reserves in the balance sheet, as set out in note 23 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 11 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates as at 31 March 2003 are set out in notes 12 and 13 to the financial statements respectively.

REPORT OF THE DIRECTORS

RETIREMENT FUND SCHEMES

Details of the Company's retirement fund schemes are set out in note 27 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, turnover attributable to the Group's five largest customers accounted for less than 30% of the total turnover for the year.

The Group is mainly a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Lee Woo Sau Yin, Gloria	
Ooi Thean Yat, Ronald Anthony	
Fok Kwong Hang, Terry	(resigned on 27 January 2003)
Chan Yick Hung	(resigned on 14 June 2002)
Lau Kin Yeung, Eddie	(resigned on 14 June 2002)
Wong Chun Wai	(resigned on 2 August 2002)
Kong Lai Wan, Winnie	(appointed on 2 August 2002)
Chum Hon Wang, Michael	(appointed on 27 January 2003)

Independent non-executive directors:

Mao Yau Fong, Henry	(resigned on 2 August 2002)
Chiang, Lily	(resigned on 2 August 2002)
Choy Hok Man, Constance	(appointed on 2 August 2002)
Chow Siu Ngor	(appointed on 2 August 2002)

Mrs. Lee Woo Sau Yin, Gloria and Mr. Ooi Thean Yat, Ronald Anthony shall retire in accordance with Article 112 of the Company's Articles of Association and Ms. Kong Lai Wan, Winnie, Mr. Chum Hon Wang, Michael, Ms. Choy Hok Man, Constance and Mr. Chow Siu Ngor shall retire in accordance with Article 95 of the Company's Articles of Association. All the aforementioned directors being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 March 2003, the interests of the directors of the Company and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under section 29 of the SDI Ordinance were as follows:

Name of director	Number of shares held	Nature of interest
Kim Eng Ong Asia Holdings Ltd ("Kim Eng Singapore") (<i>Ordinary shares</i>)		
Lee Woo Sau Yin, Gloria	45,941,770	Personal
Ooi Thean Yat, Ronald Anthony	85,544,928	Personal

Save as disclosed above, as at 31 March 2003, none of the Company's directors or any of their associates had or was deemed to have interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTION SCHEME

On 29 December 1997, a share option scheme (the "Scheme") was approved and adopted by the Company, under which the directors may, at their discretion, offer to any employees (including any executive director) of the Group options to subscribe for such number of shares as the Board may determine up to a maximum aggregate number of shares equal to 10% of the total issued shares of the Company. The purpose of the Scheme is to allow the eligible employees to participate in the equity of the Company in order to motivate such employees to optimise their performance standards and efficiency, and to attract and retain key employees whose contributions are important to the long term growth and profitability of the Group. No single employee shall be granted an option which, if exercised in full, would result in the total number of shares already issued and issuable to him under all the options granted to him exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. An option may be exercised in accordance with its terms at any time during a period to be notified by the Board to each grantee. Such period may commence on the expiry of 12 months after the date upon which the offer of the option is accepted and expire three years after the commencement date or 28 December 2007 whichever is the earlier. The consideration payable for the option is HK\$1.00. The exercise price shall be a price determined by the Board which is the higher of (a) a price not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five days immediately preceding the offer date; and (b) the nominal value of a share. The Scheme will expire on 29 December 2007.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (cont'd)

Details of the share options granted under the Scheme are as follows:

Name or category of participants	Date of grant	Number of share options outstanding at 1 April 2002	Lapsed during the year	Number of share options outstanding at 31 March 2003	Exercise price	Exercisable period
<i>Directors</i>						
Chan Yick Hung	27 April 1998	720,000	(720,000)	–	HK\$8	27 April 1999 to 26 April 2002
Wong Chun Wai	4 May 1998	720,000	(720,000)	–	HK\$8	4 May 1999 to 3 May 2002
		1,440,000	(1,440,000)	–		
<i>Employee</i>	27 April 1998	360,000	(360,000)	–	HK\$8	27 April 1999 to 26 April 2002
Total		1,800,000	(1,800,000)	–		

During the year, no share options were granted to or exercised by the directors or employees of the Group.

Save as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Company's directors or any of their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Mrs. Lee Woo Sau Yin, Gloria and Mr. Ooi Thean Yat, Ronald Anthony held 45,941,770 and 85,544,928 shares respectively at 31 March 2003 in the Company's ultimate holding company, Kim Eng Singapore, a company incorporated in Singapore and listed on the Stock Exchange of Singapore. Together with its subsidiaries and associates, Kim Eng Singapore had significant transactions with the Group during the year ended 31 March 2003. Further details of these transactions are set out in note 28 to the financial statements.

Save as disclosed above, there were no other contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow 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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDER

As at 31 March 2003, the persons, directly or indirectly, interested in 10% or more of the issued share capital of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares		Total
	Direct interest	Deemed interest	
Kim Eng Investment Limited ("KEI")*	10,907,200	–	10,907,200
Kim Eng Singapore*	39,500,000	10,907,200	50,407,200

* KEI is a wholly-owned subsidiary of Kim Eng Singapore. Accordingly, Kim Eng Singapore is deemed to be interested in 10,907,200 shares in the Company held by KEI.

Save as disclosed above, no person had any interest in the share capital of the Company which is required to be recorded in the register kept under section 16(1) of the SDI Ordinance as at 31 March 2003.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2003 other than as an agent for clients of the Company or its subsidiaries.

MANAGEMENT CONTRACTS

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

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice ("the Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2003, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Articles of Association.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

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 48 of this annual report.

AUDITORS

The financial statements have been audited by Messrs. Grant Thornton who retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Ooi Thean Yat, Ronald Anthony
Director

Hong Kong, 23 May 2003