

■ REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements.

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 13 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 12.

The state of the affairs of the Group and the Company as at 31 March 2003 are set out in the balance sheets on page 13 and page 14 respectively.

The directors do not recommend the payment of any dividend for the year ended 31 March 2003.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 46.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment during the year are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

Details of the investment properties of the Group as at 31 March 2003 are set out on pages 44 to 45.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2003 are set out in note 15 to the financial statements.

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SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 15 and page 16 respectively.

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for distribution amounted to approximately HK\$2,633,000 (2002: HK\$60,035,000), calculated in accordance with the laws of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	11%	
Five largest customers in aggregate	43%	
The largest supplier		37%
Five largest suppliers in aggregate		96%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

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DIRECTORS

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

Executive directors:

Low Kim Teik	(appointed on 5/3/2003)
Ma Kwai Leung Joseph	(appointed on 5/3/2003)
Eric Edward Hotung	(resigned on 5/3/2003)
Ho Shu Wah	(resigned on 5/3/2003)

Independent non-executive directors:

Lok Shing Kwan Sunny	(appointed on 5/3/2003)
Tang Ping Sum	(appointed on 5/3/2003)
Prince Felix de Bar	(resigned on 5/3/2003)
Reynaldo A. de Dios	(resigned on 5/3/2003)
Chui Man Lung Everett	(resigned on 5/3/2003)
Wu Wai Leung Danny	(resigned on 5/3/2003)
Wong Leung Wai	(resigned on 16/4/2002)

In accordance with Articles 99 and 116 of the Company's bye-laws, all remaining directors will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Independent non-executive directors are not appointed for a specific term because all directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

BIOGRAPHIES OF DIRECTORS

Biographical details of the directors of the Company are set out on page 5 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 17, 22 and 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.

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DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following entity had a beneficial interest of 5% or more in the issued share capital of the Company:

Name	Number of shares held	Percentage of the Company's share capital
Gold Capital Investments Limited	159,300,000	54.15%
Eric Edward Hotung, C.B.E. (Notes)	29,952,608	10.18%
Hotung Investment (China) Limited (Notes)	16,171,000	5.50%
Genesee Company Limited (Notes)	15,161,000	5.16%
HKSCC Nominees Limited	54,694,033	18.59%
Horsford Nominees Limited	36,521,269	12.42%

Notes: Hotung Investment (China) Limited and Genesee Company Limited are considered as concert parties of Eric Edward Hotung, C.B.E. as the acquisition of the shares by each of these companies were financed by Eric Edward Hotung, C.B.E..

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Eric Edward Hotung, the Chairman of the Company up to 5 March 2003, is also a director of Consumers' Credit Collections Services Limited ("CCCL") and Hotung Investment (China) Limited ("HICL"), and Mr. Ho Shu Wah, an alternate director to Mr. Eric Edward Hotung, is also a director of CCCL.

The nature of business of CCCL is property investment and management and that of HICL is investment holding and securities trading. Despite the similarities in nature of business with that of the Company, the volume of business of CCCL and HICL is insignificant compared with that of the Company. CCCL and HICL share offices with the Company up to 5 March 2003. However, separate accounts are maintained for the Company, CCCL and HICL.

The board of directors is of the view that the Company is capable of carrying on its business independently of and at arm's length from the business of CCCL and HICL.

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INTEREST-BEARING BORROWINGS

Details of interest-bearing borrowings of the Group as at 31 March 2003 are set out in note 20 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 29 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes 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.

AUDITORS

During the year, Messrs. Ernst & Young resigned. Charles Chan, Ip & Fung CPA Ltd. were appointed as the Company’s auditors to fill up the casual vacancy.

A resolution for the re-appointment of Charles Chan, Ip & Fung CPA Ltd. as auditors of the Company for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the board

Low Kim Teik

Director

Hong Kong, 6 June 2003