



Directors' Report

The directors present their annual report and the audited financial statements for the year ended March 31, 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the purchasing, processing, assembling, merchandising, wholesale and retail distribution of pearls and jewelry products. The principal activities of the subsidiaries are set out in note 33 to the financial statements.

RESULTS

The results of the Group for the year ended March 31, 2003 are set out in the consolidated income statement on page 21.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

The directors propose a bonus issue of shares on the basis of one share for every ten shares held at August 6, 2003.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at March 31, 2003 at approximately HK\$112 million. The revaluation resulted in a deficit amounting to approximately HK\$5 million which has been charged to the investment property revaluation reserve.

Details of movements during the year in the investment properties of the Group are set out in note 11 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at March 31, 2003 at approximately HK\$43.8 million. The revaluation resulted in a net revaluation decrease amounting to approximately HK\$1.0 million, of which a revaluation decrease of approximately HK\$1.4 million has been charged to the income statement and a revaluation increase of approximately HK\$0.4 million has been credited to the other property revaluation reserve.

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



SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 20 to the financial statements.

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Cheng Chung Hing (*Chairman*)

Mr. Cheng Tai Po (*Deputy Chairman*)

Ms. Yan Sau Man, Amy

Independent non-executive directors:

Mr. Alexander Reid Hamilton

Mr. Yuen Ka Lok, Ernest

In accordance with Article 87 of the Company's Bye-Laws, Ms. Yan Sau Man, Amy retires by rotation and, being eligible, offers herself for re-election. The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

Each of the executive directors has entered into a service agreement with the Company for a fixed term of three years from September 1, 2000 until terminated by not less than three months' notice in writing served by either party on the other.



Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

(1) Interests in the Company

Shares

At March 31, 2003, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Personal interests	Number of ordinary shares			Other interests
		Family interests	Corporate interests <i>(Note)</i>		
Mr. Cheng Chung Hing	–	–	426,000,000	–	
Mr. Cheng Tai Po	6,506,400	–	426,000,000	–	

Note: These shares were indirectly owned by Cafoong Limited, a company incorporated in the British Virgin Islands, through an indirect interest in Man Sang International (B.V.I.) Limited, a company which directly holds these 426,000,000 shares. Cafoong Limited indirectly holds a 100% equity interest in Man Sang International (B.V.I.) Limited through Man Sang Holdings, Inc., in which Cafoong Limited holds 57.10% of the common stock and all the Series A preferred stock at March 31, 2003, which totally represent 71.40% of the voting rights of Man Sang Holdings, Inc. Mr. Cheng Chung Hing and Mr. Cheng Tai Po own 60% and 40% of the issued share capital of Cafoong Limited, respectively.

Share options

Details of the directors' personal interests in share options to subscribe for shares in the Company are set out in the section headed "Share Options" below.



SHARE OPTIONS

Pursuant to the changes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in relation to share option schemes, on August 2, 2002, the Company adopted a new share option scheme (the "2002 Scheme") and terminated the one adopted on September 8, 1997 (the "1997 Scheme"). Upon termination of the 1997 Scheme, no further options will be granted thereunder but in all other respects, the provisions of the 1997 Scheme shall remain in force and all outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Particulars of the Company's share option schemes are set out in note 21 to the financial statements.

The following tables disclose movements in the Company's share options schemes during the year:

(1) 1997 Scheme

	Date of grant	Outstanding at beginning of the year	Lapsed during the year	Outstanding at end of the year
Directors				
Mr. Cheng Chung Hing	November 16, 1999	1,560,243	(1,560,243)	–
	April 28, 2000	12,000,000	(12,000,000)	–
Mr. Cheng Tai Po	November 16, 1999	1,560,243	(1,560,243)	–
	April 28, 2000	12,000,000	(12,000,000)	–
Ms. Yan Sau Man, Amy	November 16, 1999	2,400,375	(2,400,375)	–
	April 28, 2000	6,000,000	(6,000,000)	–
Total for directors		35,520,861	(35,520,861)	–
Other employees				
	November 16, 1999	2,940,458	(2,940,458)	–
	April 28, 2000	4,800,000	(4,800,000)	–
Total for other employees		7,740,458	(7,740,458)	–
		43,261,319	(43,261,319)	–



Directors' Report

SHARE OPTIONS – Continued

(1) 1997 Scheme – Continued

Details of specific categories of options are as follows:

Date of grant	Exercisable period	Exercise price per share HK\$
November 16, 1999	May 16, 2000 – May 15, 2002	0.2133
April 28, 2000	October 28, 2000 – October 27, 2002	0.2475

(2) 2002 Scheme

No share options were granted under this scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the sections headed “Directors’ Interests In Securities” and “Share Options” above, at no time during the year was the Company, its holding companies, or 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, and neither the directors, or 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.

CONNECTED TRANSACTIONS

- (1) On December 1, 2002, the Group disposed of its entire equity interest in a wholly owned subsidiary, Accurate Gain Developments Limited, for a consideration of HK\$300,000 to Mr. Cheng Chung Hing and Mr. Cheng Tai Po, directors of the Company. The gain arising from the disposal amounted to approximately HK\$60,000.
- (2) On March 31, 2003, the Group acquired the remaining 21% equity interest in Cyber Bizport Limited, a subsidiary of the Company from Intimex Technology Holdings Limited (“ITH”), the minority shareholder of Cyber Bizport Limited. As consideration for this acquisition, the Group disposed its entire equity interest in Intimex Business Solutions Company Limited, a subsidiary of the Company, to ITH. The net assets disposed of and the net loss arising from the transaction amounted to HK\$341,000.
- (3) During the year, Yuen & Partners received professional fees of HK\$301,000 for the provision of legal and professional services to the Group. Mr. Yuen Ka Lok, Ernest, an independent non-executive director of the Company, is a partner of Yuen & Partners.



DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" above, no contract of significance to which the Company, or any of its holding companies or 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.

SUBSTANTIAL SHAREHOLDERS

At March 31, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed under the section headed "Directors' Interests in Securities" in respect of certain directors, the following shareholders had an interest of 5% or more in the share capital of the Company:

Name of shareholder	Number of shares held			Notes
	Direct interest	Deemed interest	Percentage of issued share capital	
Man Sang International (B.V.I.) Limited	426,000,000	–	56.66%	
MSH	–	426,000,000	56.66%	1
Cafoong Limited	–	426,000,000	56.66%	2
Guangdong Development Bank Shenzhen Branch	90,142,000	–	11.99%	

Notes:

1. This represented the deemed interest in 426,000,000 shares in the Company held by Man Sang International (B.V.I.) Limited which is a wholly-owned subsidiary of MSH.
2. This represented the deemed interest in 426,000,000 shares in the Company held by Man Sang International (B.V.I.) Limited whereby Cafoong Limited holds 57.10% of the common stock and all of the series A preferred stock of MSH at March 31, 2003, which represent 71.40% of the voting rights.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital at March 31, 2003.



Directors' Report

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$94,000.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Cheng Chung Hing
CHAIRMAN

Hong Kong, June 27, 2003