

Directors' Report

The directors present their annual report together with the audited financial statements of the Group for the year ended 31st March 2003.

CHANGE OF NAME

Pursuant to special resolutions passed at extraordinary general meetings held on 14th June 2002 and 16th December 2002, the name of the Company was changed from Lee & Man Holdings Limited to SC Industrial Development Company Limited and from SC Industrial Development Company Limited to Wisdom Venture Holdings Limited respectively.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 30 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 19.

A special interim dividend of HK\$0.235 per share of the Company amounting HK\$193,875,000 was paid to shareholders on 21st June 2002. Other than the foregoing, no interim dividend was paid during the year. The directors do not recommend the payment of a final dividend for the year ended 31st March 2003.

SHARE CAPITAL

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

SHARE OPTIONS

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

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$7 million for the purpose of expanding its business and revalued its property, plant and equipment at 31st March 2003.

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

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors

David AN (<i>Chairman</i>)	(appointed on 12th July 2002)
FENG Ya Lei	(appointed on 12th July 2002)
ZHOU Nan Zheng	(appointed on 12th July 2002)
KWAN Po Wan	(appointed on 18th September 2002)
LEE Wan Keung	(resigned on 12th July 2002)
WAI Siu Kee	(resigned on 12th July 2002)
TUNG Cheung Kong	(resigned on 12th July 2002)
LU Zhongwen (alias LUI Chung Man)	(resigned on 12th July 2002)

Independent non-executive directors

LI Wai Keung	(appointed on 12th July 2002)
LIU Jian	(appointed on 12th July 2002)
WONG Kai Tung, Tony	(resigned on 12th July 2002)
HENG Kwoo Seng	(resigned on 12th July 2002)

In accordance with Articles 99 and 116 of the Company's Articles of Association, Mr. David An and Ms. Kwan Po Wan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Articles of Association.

Each of the former executive directors has entered into a service agreement with the Company for an initial period of three years commencing 1st April 1997, which will continue thereafter unless and until terminated by either party by three months' prior written notice. The service agreements were terminated upon their resignation.

None of the directors being proposed for re-election at the forthcoming annual general meeting 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.

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DIRECTORS' INTERESTS IN SECURITIES

As at 31st March 2003, the interests of directors and their associates in the ordinary shares of the Company and of 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:

Name of director	Number of ordinary shares held Corporate interests
David An	<u>609,773,980</u>

Note: Mr. David An is deemed to have corporate interests in the shares of the Company by virtue of his beneficial interest in the share of Extreme Wise Investments Limited, a substantial shareholder of the Company.

Save as disclosed above, none of the directors or any of their associates had any interest in the securities of the Company or any of its associated corporations as at 31st March 2003 as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes detailed in note 21 to the financial statements, at no time during the year was the Company, its holding company or any of its fellow subsidiaries or 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 debts 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 rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2003, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed under the heading "Directors' interests in securities", the Company had not been notified of any interest representing 10% or more of the Company's issued share capital.

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CONNECTED TRANSACTIONS

Details of the disclosable connected transactions for the year are set out in note 29 to the financial statements. In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group (except for the transactions carried out under the licence agreement as detailed in note 29 to the financial statements);
- (ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that were fair and reasonable so far as the shareholders of the Company are concerned;
- (iii) either (a) in accordance with the terms of the agreements; or (b) where there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
- (iv) within the relevant cap amounts as agreed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Save as disclosed above, there were no other transactions which needed to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the heading "Connected Transactions", there were no contracts of significance to which the Company, its holding company or any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisting at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 33% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 11% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 79% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 38% of the Group's total purchases.

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At 31st March 2003, Fortune Star Tradings Ltd. ("Fortune Star"), a shareholder of a subsidiary of the Company, had a beneficial interest in one of the Group's five largest suppliers, Lee & Man Industries Company Limited. Fortune Star is under the control of a discretionary trust, the discretionary beneficiaries of which include Mr. Lee Wan Keung, a former director of the Company. All transactions between the Group and Lee & Man Industries Company Limited were carried out on normal commercial terms.

Save as disclosed above, none of the directors, their associates or any shareholder which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers or suppliers of the Group.

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

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31st March 2003, in compliance with the Code of Best Practice (the "Code") as set out in the Listing Rules by the Stock Exchange except that the existing non-executive directors of the Company were not appointed for a specific term as required by paragraph 7 of the Code but are subject to retirement by rotation in accordance with the Company's Articles of Association.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation on 26th February 1993. A resolution will be submitted to the annual general meeting of the Company to re-appoint them.

On behalf of the Board

David An
Chairman

Hong Kong, 11th July 2003