

R e p o r t o f t h e D i r e c t o r s

The directors submit their report together with the audited accounts for the year ended 31 March 2003.



Suei
(Following)

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the importing and sale of architectural builders hardware and bathroom collections in Hong Kong.

Details of the analysis of the Group's turnover and contribution to operating loss for the year by principal activity and market is set out in note 3 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 18.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2003.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 19 to the accounts.



Gu
(Decay)

Fixed assets

Details of the movements in fixed assets of the Group during the year are set out in note 11 to the accounts.

Share capital

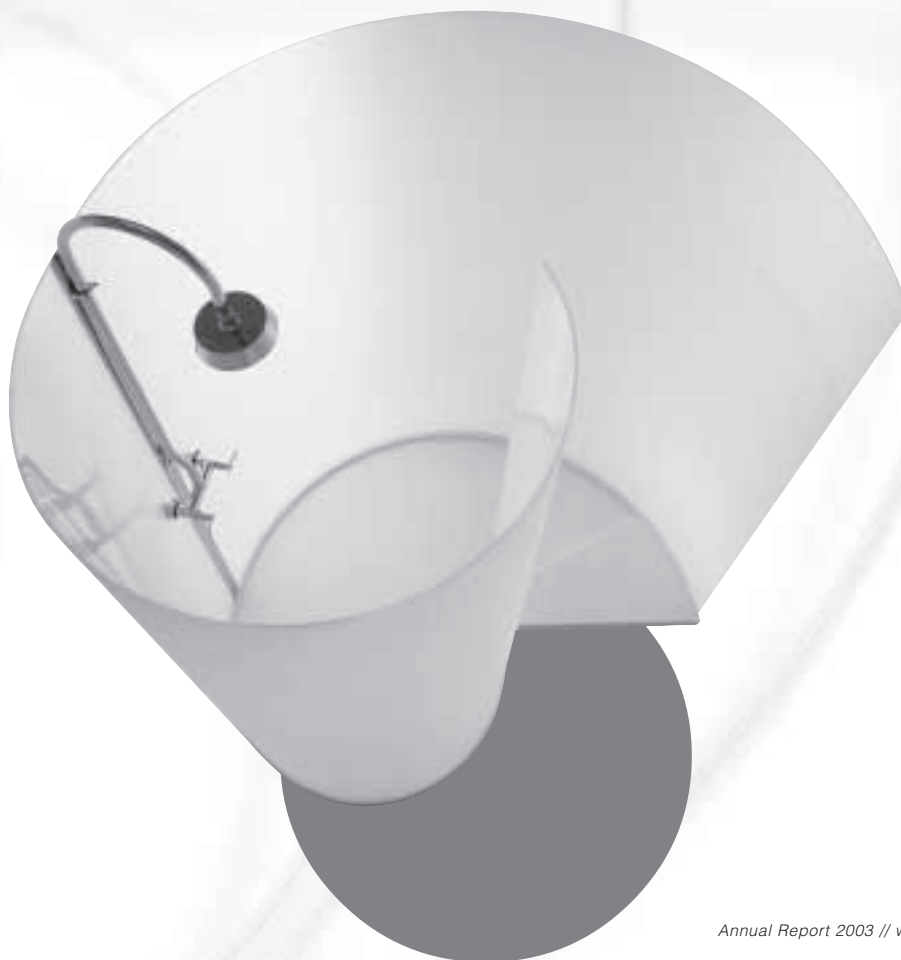
Details of the share capital of the Company are set out in note 17 to the accounts.



Lin
(Approach)



Gung
(Observation)



R e p o r t o f t h e D i r e c t o r s (c o n t ' d)

Distributable reserves

Distributable reserves of the Company as at 31 March 2003 amounted to HK\$132,148,000. Under Section 34 of the Companies Law (2000 Revision) of the Cayman Islands, the share premium is available for distribution to shareholders, provided that no distribution shall be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.



Pre-emptive rights

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

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 16.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.



Directors

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

Mr. TSE Sun Fat, Henry
Mr. TSE Sun Po, Tony
Mr. TSE Sun Lung, Alan
Mr. MAK So
Mr. WONG Tin Cheung, Ricky
Mr. LAU Shiu Sun
Mr. LEUNG Kwong Kin*
Mr. WONG Wah, Dominic*
Mr. LEE Chi Wah, Rhodes (resigned on 17 July 2003)



* Independent non-executive directors who entered into contracts with the Company for an initial fixed term of one year and thereafter shall continue for further successive periods of one year, provided that the Company may terminate the contracts at the end of each one year period by giving the other party at least one month's notice in writing thereof.

Mr. TSE Sun Lung, Alan and Mr. MAK So shall retire at the forthcoming annual general meeting in accordance with Articles 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Directors' service contracts

Each of Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony and Mr. TSE Sun Lung, Alan has entered into a service contract with the Company for a term of three years commencing on 1 March 2000 and continuing thereafter unless terminated by either party with at least three months advance notice in writing.



Each of Mr. MAK So, Mr. WONG Tin Cheung, Ricky and Mr. LAU Shiu Sun has entered into a service contract with the Company commencing on 24 April 2001 and 10 December 2001 and will continue thereafter unless terminated by either party by three months prior written notice.

In addition, Mr. LEE Chi Wah, Rhodes, who had a service contract with the Company for a term of three years commencing on 1 March 2000, resigned on 17 July 2003.

Save as disclosed herein, none of the directors of the Company has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Directors' interests in contracts

Save as disclosed under the section "Connected transactions" below, no other contracts of significance in relation to the Group's business to which the Company, its subsidiaries or holding companies 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.

Directors' benefits from rights to acquire shares or debentures

Under the terms of the Company's share option scheme adopted on 22 March 2000, the board of directors of the Company may, at their discretion, invite any full-time employees or executive directors of the Company or any of its subsidiaries to subscribe for ordinary shares of HK\$0.10 each in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company. No options have been granted to the directors since its adoption.

Apart from the above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in equity securities

At 31 March 2003, the interests of the directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Interests in shares of the Company

Director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. TSE Sun Fat, Henry (<i>Note 1</i>)	–	–	–	140,000,000
Mr. TSE Sun Po, Tony (<i>Note 1</i>)	–	140,000,000	–	140,000,000

Note 1: Bache Hill Group Limited ("BHGL") is holding these shares. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr. TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr. TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

Report of the Directors (cont'd)

Directors' interests in equity securities (cont'd)

Interests in shares of associated corporations

(i) BHGL

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry (<i>Note 2</i>)	–	–	–	30,491	30,491
Mr. TSE Sun Po, Tony (<i>Note 2</i>)	–	30,491	–	30,491	30,491
Mr. TSE Sun Lung, Alan	3,025	–	–	–	3,025
Mr. LEE Chi Wah, Rhodes	965	–	–	–	965
Mr. WONG Tin Cheung, Ricky	1,265	–	–	–	1,265

Note 2: These shares are held by Tse Brother Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr. TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules. In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr. TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

(ii) Negotiator Consultants Limited ("NCL")

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry (<i>Note 3</i>)	–	–	–	1	1
Mr. TSE Sun Po, Tony (<i>Note 3</i>)	–	1	–	1	1

Note 3: Such share is held by BHGL. Accordingly, the interest of Mr. TSE Sun Fat, Henry is regarded as "other interest" and the interests of Mr. TSE Sun Po, Tony are regarded as "family interest" and "other interest", respectively as described in Practice Note 5 of the Listing Rules.

Biographical details of directors and senior management

Executive directors

Mr. TSE Sun Fat, Henry, aged 46, is a founding member of the Group and the Chairman of the Company. Mr. TSE has over 25 years of experience in the trading of building materials. He is responsible for the planning of the Group's overall strategies and the overall management of the Group.

Mr. TSE Sun Po, Tony, aged 44, is the managing director of the Company and joined the Group in 1979. Mr. TSE has over 25 years of experience in the trading of building materials and is responsible for the retail business of the Group. Mr. TSE also assists in the strategic planning and management of the Group. He is a brother of Mr. TSE Sun Fat, Henry, the Chairman of the Group.

Mr. TSE Sun Lung, Alan, aged 36, is an executive director of the Company. He joined the Group in 1990 and is now responsible for project sales and the marketing of products distributed by the Group. Mr. TSE Sun Lung, Alan is a cousin of Mr. TSE Sun Fat, Henry and Mr. TSE Sun Po, Tony.

Mr. MAK So, aged 63, joined the Group in 1993. Mr. MAK was appointed as an executive director of the Company on 24th April 2001 and is responsible for co-ordinating the sales and marketing activities of the Group. He has over 34 years of experience in the building materials industry. Prior to joining the Group, Mr. MAK worked for Chau, Lee & She, Architects & Engineers, Town Planning Consultants as an office manager for 27 years.

Mr. WONG Tin Cheung, Ricky, aged 60, joined the Group in 1979. Mr. WONG was appointed as an executive director of the Company on 24th April 2001, and is also a director of two subsidiaries of the Company and is responsible for the operation of the Group in project management. He has over 23 years of experience in selling building materials and was a civil servant before joining the Group.

Biographical details of directors and senior management (cont'd)

Executive directors (cont'd)



Mr. LAU Shiu Sun, aged 36, joined the Group in 1994. Mr. LAU was appointed as an executive director of the Company on 10 December 2001, before his appointment, Mr. Lau was a sales manager of the Group and is responsible for project sales. He graduated from Hong Kong Baptist University (formerly Baptist College) in 1992 with a bachelor of science degree.

Mr. LEE Chi Wah, Rhodes, aged 40, is the deputy managing director of the Company. He joined the Group in 1982. Mr. LEE has over 21 years of experience in the trading of building materials and is responsible for project sales and marketing of products distributed by the Group. Mr. LEE resigned as an executive director of the Company and left the Group on 17th July 2003.

Non-executive directors



Mr. LEUNG Kwong Kin, aged 56, was appointed as an independent non-executive director in January 2000. Mr. LEUNG is a senior director of Wong Lam Leung & Kwok C.P.A. Ltd.. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Association of International Accountants. Mr. LEUNG is also a member of the Macau Society of Certified Practising Accountants, the Society of Chinese Accountants & Auditors, the Taxation Institute of Hong Kong, the Institute of Management and the International Institute of Management.

Mr. WONG Wah, Dominic, aged 54, was appointed as an independent non-executive director on 19th June 2001. He graduated with honours from the Chinese University of Hong Kong in 1972 with a bachelor's degree in Social Science in Economics. He was appointed director and general manager of Hongkong Ferry (Holdings) Ltd., formerly The Hongkong & Yaumatei Ferry Co., Ltd. until late 1989. He has been actively involved in China trade and garment industry over the last few years.

Senior management



Mr. TSE Sun Ming, Almond, aged 43, is a director of two subsidiaries of the Company and a founding member of the Group. Mr. TSE has over 25 years of experience in the building materials industry and is responsible for product sourcing and development. He is a cousin of Mr. TSE Sun Fat, Henry and Mr. TSE Sun Po, Tony and a brother of Mr. TSE Sun Lung, Alan.

Mr. AU Lai Chuen, Hercules, aged 46, joined the Group in 1982 and is a director of one subsidiary of the Company. Mr. AU has over 25 years of experience in the building materials industry and is responsible for project related sales and marketing activities.

Mr. YICK Kai Chung, aged 44, joined the Group in 1979 and is a director of three subsidiaries of the Company. Mr. YICK has over 25 years of experience in building materials industry and is responsible for overseeing major accounts and wholesale business of the Group and products sourcing and technical support.



Mr. LO Wai Man, aged 49, joined the Group in 1979 and is a director of six subsidiaries of the Company. Mr. LO is a technical director and is responsible for overseeing provision of technical support for bathroom collections. He has over 23 years of experience in selling building materials and is a licensed plumber.

Mr. SHUM Lup Chi, aged 47, joined the Group in 1982. Mr. SHUM is the office manager and is responsible for office internal control and cost analysis. He had worked for various solicitor firms for 6 years before joining the Group.

Mr. CHAN Chiu Keung, aged 55, joined the Group since 1976 and is a director of one subsidiary of the Company. Mr. CHAN is the manager of the Mongkok retail shop of the Group and is in charge of overall shop management of that shop. He has over 27 years of experience in retail business.

Mr. CHANG Kai Chuen, aged 29, joined the Group in 1991. Mr. CHANG is a sales manager of the Group and is responsible for project sales.

R e p o r t o f t h e D i r e c t o r s (c o n t ' d)

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31 March 2003, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of Shareholder	Number of Shares
BHGL	140,000,000
Tse Brothers Assets Management Limited (<i>Note 4</i>)	140,000,000
Messrs. Kelvin K W Cheung & Chu Hei Chun (<i>Note 4</i>)	140,000,000

Note 4: BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited, the entire issued share capital of which is in turn held by Messrs. Kelvin K W Cheung & Chu Hei Chun (who are the trustee of the Tse's Family Trust). Tse Brothers Assets Management Limited and Messrs. Kelvin K W Cheung & Chu Hei Chun are respectively taken to be interested in these shares under Section 8(2) of the SDI Ordinance.

Management contracts

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

Major customers and suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

The largest supplier	10%
Five largest suppliers combined	40%

Sales

The largest customer	3%
Five largest customers combined	14%

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Audit committee

The audit committee comprises two independent non-executive directors, namely Mr. LEUNG Kwong Kin and Mr. WONG Wah, Dominic.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee have been prepared and adopted by the Board of the Company. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

During the year, the audit committee met a few times with management to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters (including the interim and annual accounts prior to recommending them to the Board for approval).

Compliance with the Code of Best Practice of the Listing Rules

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pension scheme arrangements



With effect from 1 December 2000, the mandatory provident fund scheme (the "MPF Scheme") was made compulsory as enforced by the Mandatory Provident Fund Schemes Authority of Hong Kong. The MPF Scheme is a defined contribution retirement benefit scheme administered by independent trustees. The employer and the employee have to contribute in total an amount equal to 10% of the relevant income of the employee to the MPF Scheme. Contributions from the employer are 100% vested in the employee as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions.

The aggregate employer's contributions under the above schemes which amounted to approximately HK\$1,273,000 have been dealt with in the consolidated profit and loss account of the Group for the year ended 31 March 2003.

Connected transactions



The related party transaction as disclosed in note 23 to the accounts for the year ended 31 March 2003 in respect of rental expenses of approximately HK\$2,729,000 paid to Negotiator Consultants Limited ("NCL") also constitutes a connected party transaction. NCL is a fellow subsidiary of the Company in which Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan, Mr. WONG Tin Cheung, Ricky and a former director namely, Mr. LEE Chi Wah, Rhodes, have beneficial interests. The Stock Exchange has granted conditional waiver to the Company from strict compliance with the requirements of Chapter 14 of the Listing Rules. In the opinion of the directors including the independent non-executive directors of the Company, the transaction was conducted in the ordinary course of the business of the Group and in accordance with the terms of the agreements.

Auditors



The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



A handwritten signature in black ink, appearing to be "TSE Sun Fat, Henry".

TSE Sun Fat, Henry

Chairman

Hong Kong, 17 July 2003