

Report of the Directors

The Directors have pleasure in submitting their report and the audited accounts for the year ended 31 March 2003.

Principal activities

The principal activity of the Company is investment holding. The names, particulars and activities of its subsidiaries and associated companies are set out on pages 43 to 44.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 15.

An analysis of the Group's turnover and profit for the year by business and geographical segments is set out in note 2 to the accounts.

A summary of the results and assets and liabilities of the Group for the last 5 years is set out on page 47.

An interim dividend of 5 cents per share, totalling HK\$12,984,000, was paid on 6 February 2003. The Directors have recommended a final dividend of 5 cents per share, totalling HK\$12,984,000, payable on 3 September 2003.

Pre-emptive rights

No pre-emptive rights exist in the Cayman Islands being the jurisdiction in which the Company was incorporated.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in notes 22 and 23 to the accounts.

Distributable reserves

Under the Cayman Islands Companies Law, contributed surplus is distributable. Accordingly, total distributable reserves of the Company as at 31 March 2003 amounted to HK\$2,490,221,000 (2002: HK\$2,594,692,000).

Donations

Charitable donations made by the Group during the year amounted to HK\$35,000.

Fixed assets

Details of the movements in fixed assets are set out in note 12 to the accounts.

Principal properties

Details of the principal properties held for development, for sale and for investment purposes are set out on pages 45 to 46.

Bank, other borrowings and interest capitalised

Details of bank and other borrowings are set out in notes 20, 24 and 25 to the accounts. No interest has been capitalised during the year.

Management contracts

No contracts concerning the management and administration of the Company were entered into or existed during the year.

Directors

The Board of Directors as now constituted is listed on page 2. The brief biographical details of the Directors are set out on pages 3 to 4.

Dr. Lo Ka Shui was appointed Director on 1 January 2003. He retires under the provisions of Article 99 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Mr. Cheng Wai Chee, Christopher, Mr. Chow Wai Wai, John, Mr. Langley, Christopher Patrick and Mr. Cheng Wai Sun, Edward retire by rotation under the provisions of Article 116 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company.

Compliance with the Code of Best Practice

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

Pursuant to the Code of Best Practice, an Audit Committee with written terms of reference was appointed on 18 December 1998. The present Audit Committee comprises two independent non-executive Directors, namely Mr. Langley, Christopher Patrick and Mr. Ho Fook Hong, Ferdinand and one non-executive Director, Mr. Cheng Wai Chee, Christopher. The Audit Committee's principal duties include the review of the Group's financial reports, the effectiveness of both the external and internal audit and of internal controls and risk evaluation. Four meetings of the Audit Committee were held during the year.

Report of the Directors *(continued)*

Directors' interests in contracts and in equity or debt securities

Save and except for the relevant transactions disclosed in notes 11(a), 11(c) and 11(d) to the accounts, no contracts of significance in relation to the Group's business to which the Company or 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.

At no time during the year was the Company 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.

The interests of the Directors at 31 March 2003 in the issued share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDIO")) as recorded in the register maintained under section 29 of the SDIO are set out below.

Name of Director	Personal interests	Family interests	Corporate interests	Other interests <i>(Notes 1 & 2)</i>	Total
The Company					
<i>Ordinary shares held:</i>					
Mr. Cheng Wai Chee, Christopher	—	27,000	—	103,837,887	103,864,887
Mr. Chow Wai Wai, John	1,874,000	—	—	—	1,874,000
Mr. Cheng Wai Sun, Edward	—	—	—	71,790,500	71,790,500
Mr. Tang Ming Chien, Manning	600,000	—	—	—	600,000
Mr. Lam Woon Bun	50,000	10,000	—	—	60,000
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000
Mr. Chow Wei Lin	—	—	189,215	—	189,215

Notes:

(1) Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are both beneficiaries of a family trust, the assets of which included indirect interests in 71,790,500 shares in the Company which were beneficially owned by Wing Tai Holdings Limited ("Wing Tai"), as set out in Note 1 to the section "Substantial shareholders".

(2) The Company has been notified by Mr. Cheng Wai Chee, Christopher of the following: —

He has a corporate interest in 29% of the issued share capital of USI Holdings Ltd. ("USI"). Wing Tai is also interested in 21.3% of the issued share capital of USI. USI, through its wholly owned subsidiaries (Twin Dragon Investments Ltd. and Shui Hing Textiles International Ltd.), is interested in 32,047,387 ordinary shares of the Company as from 31 December 2002. Despite the legal advice obtained by him that USI's interest in the ordinary shares of the Company is not, to him, a notifiable interest, he nonetheless decided to disclose the same for transparency.

The Company has not granted any right to subscribe for equity or debt securities of the Company. Save as disclosed herein, none of the Directors had any interest in the equity or debt securities of the Company or any of its associated corporations at 31 March 2003.

Directors' interest in competing businesses

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:-

Three executive Directors, namely Messrs. Chow Wai Wai, John, Lam Woon Bun and Chow Wei Lin, and two non-executive Directors, namely Messrs. Tang Ming Chien, Manning and Giles, Paul Francis, being also directors of Winsor

Industrial Corporation, Limited ("WICL") and/or its subsidiaries, are considered as interested in WICL under paragraph 8.10(2). WICL is a company listed in Hong Kong.

Ownership of an industrial building and carpark spaces in Hong Kong for letting by WICL's subsidiaries constitutes competing business to the Group. In view of the Group's experience and expertise in industrial property letting and management, the WICL subsidiaries have appointed two subsidiaries of the Group as agents for letting and property management of the said properties.

Since the WICL Group properties are targeted at different customers and/or situated in a different area compared to the Group's own properties, the Group considers that its interest in

the business of owning and letting of industrial premises and carparking spaces is adequately safeguarded.

Two non-executive Directors, namely Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, being also executive directors of USI and having equity interests therein are considered as having interests in USI under paragraph 8.10(2). Their alternate director, Mr. Au Hing Lun, Dennis, being a director of certain wholly-owned subsidiaries of USI is also considered as having an interest in USI under paragraph 8.10(2).

The letting and managing of industrial buildings by USI constitute competing businesses to the Group. As non-executive Directors, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are not participating in the routine businesses of letting and managing of industrial buildings by the Group, neither is their alternate, Mr. Au Hing Lun, Dennis.

USI is a listed company with an independent management team and administration which are separate from those of the Group and the industrial buildings let and managed by USI and the Group are targeting at different customer bases and different market segments. In this respect, coupled with the diligence of its independent non-executive Directors and the members of its Audit Committee, the Group is capable of carrying on its businesses at arm's length and independently of such competing businesses.

Share options

The Company adopted a 10 year share option scheme ("the Scheme") by resolutions of shareholders passed on 11 October 1996 for the purpose of providing incentives to employees. No

option has been granted by the Company under the Scheme since its adoption. As at the date of this report, the total number of shares available for issue under the Scheme is 25,968,528 shares, being 10% of the 259,685,288 shares of the Company in issue. The maximum entitlement of each participant in the Scheme is 25% of the available shares.

The period within which an option granted under the Scheme can be exercised is ten years from the date of grant, and an option is exercisable once granted. A consideration of HK\$1.00 is payable on acceptance of the option. The price payable in full on the exercise of an option is determined by the Directors but cannot be less than the higher of (i) the nominal value of a share in the Company; and (ii) 80% of the average closing price of the Company's share for the five business days immediately preceding the date the option is offered.

On 1 September 2001 the Stock Exchange amended Chapter 17 of the Listing Rules. As a result, granting of share options by the Company under the Scheme will not be permitted unless it is in compliance with the Listing Rules and may entail an amendment of the terms of the Scheme or the adoption of a new scheme. The Directors do not have a present plan for the granting of share options and will seek shareholders' approval of a new scheme when the need arises.

Substantial shareholders

The register of substantial shareholders maintained under section 16(1) of the SDIO shows that at 31 March 2003 the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company, other than those of the Directors as disclosed above:

Name		Number of Ordinary shares held	% interest in total issued shares
Crossbrook Group Limited		71,790,500	27.65%
Wing Tai Holdings Limited	(Note 1)	71,790,500	27.65%
Mr. Chou Wen Hsien	(Note 2)	38,937,963	14.99%
Mr. Chow Chung Kai	(Note 2)	38,741,665	14.92%
Twin Dragon Investments Limited		31,348,887	12.07%
USI Holdings (B.V.I.) Limited	(Note 3)	31,439,387	12.11%
USI Holdings Limited	(Note 3)	31,439,387	12.11%

Notes:

- (1) Crossbrook Group Limited is a wholly-owned subsidiary of Wing Tai. Consequently, Wing Tai is deemed, under the SDIO, to be interested in all the shares in the Company beneficially owned by Crossbrook Group Limited.
- (2) Including 25,968,000 shares in the Company beneficially owned by a corporation where Mr. Chou Wen Hsien and Mr. Chow Chung Kai are each entitled to exercise one-third or more of the voting power at general meetings of the corporation.
- (3) Twin Dragon Investments Limited is a wholly-owned subsidiary of USI Holdings (B.V.I.) Limited which in turn is a wholly-owned subsidiary of USI. Consequently, under the SDIO, USI Holdings (B.V.I.) Limited is deemed to be interested in all the shares in the Company beneficially owned by Twin Dragon Investments Limited, and USI is deemed to be interested in all the shares in the Company in which USI Holdings (B.V.I.) Limited is interested.

Report of the Directors *(continued)*

Related party and connected transactions

- (a) Significant related party transactions entered by the Group during the year ended 31 March 2003, which do not constitute connected transactions under the Listing Rules, are disclosed in note 11(a) to the accounts.
- (b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in notes 11(b), 11(c) and 11(d) to the accounts.

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.

Major customers and suppliers

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

Percentage of sales attributable to the Group's largest customer	35.96%
Percentage of sales attributable to the Group's five largest customers	41.45%

None of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the customers disclosed above.

During the year, less than 30% of the Group's purchases was attributable to its five largest suppliers.

Auditors

The accounts have been audited by PricewaterhouseCoopers who offer themselves for re-appointment at a fee to be agreed.

On behalf of the Board

CHENG Wai Chee, Christopher
Chairman

Hong Kong, 10 July 2003.