

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries, the Group's principal associates and principal jointly controlled entities as at 31st March, 2003 are set out in note 49 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating results for the year ended 31st March, 2003 is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

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

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 25 and note 38 to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers in aggregate and the single largest customer of the Group for the year ended 31st March, 2003 accounted for approximately 60.5% and 19.0% of the turnover of the Group respectively. The aggregate purchases attributable to the five largest suppliers of the Group during the year were less than 30% of the purchases of the Group.

As far as the directors are aware, certain directors and/or their associates, within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"), have an interest of less than 1% in shares and/or equity derivatives of one of the five largest customers of the Group for the year ended 31st March, 2003.

Save as disclosed above, as far as the directors are aware, none of the directors, their associates, within the meaning of the Listing Rules, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital have an interest in any of the five largest customers of the Group for the year ended 31st March, 2003.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 72 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the principal subsidiaries of the Company and principal associates and jointly controlled entities of the Group as at 31st March, 2003 are set out in note 49 to the financial statements.

DIRECTORS' REPORT *(continued)*

MAJOR PROPERTIES

Particulars regarding major properties of the Group as at 31st March, 2003 are set out on page 73 of the annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 36 to the financial statements.

SHARE OPTIONS

Details of the movements in the share options of the Company and its subsidiaries during the year are set out in note 37 to the financial statements.

BORROWINGS

Bank borrowings and other loans repayable within one year or on demand are classified as current liabilities. Details of and the repayment analysis of bank borrowings and other loans of the Group and the Company as at 31st March, 2003 are set out in notes 32 and 33 to the financial statements, respectively.

At 31st March, 2003, the Group had in issue convertible notes with an aggregate principal value of HK\$392,500,000. Details of the convertible notes are set out in note 31 to the financial statements.

Interest of approximately HK\$713,000 was capitalised by the Group during the year.

DIRECTORS

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

Executive directors

Chan Kwok Keung, Charles (*Chairman*)

Lau Ko Yuen, Tom (*Deputy Chairman*)

Chau Mei Wah, Rosanna (*Managing Director*)

Chan Kwok Hung

Chan Fut Yan

Wong Kun To

Cheung Hon Kit

Allan Yap

(retired on 27th August, 2002)

Cheung Kwok Wah, Ken

(resigned on 16th June, 2003)

Independent non-executive directors

Lai, Dominic

Chuck, Winston Calptor

In accordance with Bye-law 98(A) of the Company's Bye-laws, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung and Mr. Cheung Hon Kit retire at the forthcoming annual general meeting. All retiring directors being eligible, offer themselves for re-election.

The term of office for each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

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

DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2003, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (the "Model Code") were as follows:

(a) Interest in the Company

Name of director	Nature of interest	Number of ordinary shares of the Company held	Amount of 2006 convertible notes of the Company held
Chan Kwok Keung, Charles	Corporate interest	219,681,911 <i>(note)</i>	–
	Personal interest	–	HK\$250,000,000

Note: Dr. Chan Kwok Keung, Charles was deemed to have a corporate interest in 219,681,911 ordinary shares of the Company by virtue of his indirect shareholding in Galaxyway Investments Limited ("Galaxyway") which owned these shares.

(b) Interest in Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC")

Name of director	Nature of interest	Number of shares of Paul Y. - ITC held	Amount of warrants of Paul Y. - ITC held	Number of share options of Paul Y. - ITC held
Chan Kwok Keung, Charles	Corporate interest	685,220,227 <i>(note)</i>	HK\$46,034,370.80 <i>(note)</i>	–
	Personal interest	8,624,000	–	–
Lau Ko Yuen, Tom	Personal interest	–	–	5,000,000
Chau Mei Wah, Rosanna	Personal interest	–	–	6,100,000
Chan Fut Yan	Personal interest	–	–	5,000,000
Cheung Hon Kit	Personal interest	400	HK\$32.00	–

Note: The shares and warrants were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interest in the ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and warrants under the SDI Ordinance.

(c) Interest in Hanny Holdings Limited ("Hanny")

Name of director	Nature of interest	Number of shares of Hanny held	Number of share options of Hanny held
Chan Kwok Keung, Charles	Corporate interest	45,298,813 <i>(note)</i>	–
	Personal interest	–	4,000,000
Chan Kwok Hung	Personal interest	–	1,750,000
Cheung Kwok Wah, Ken	Personal interest	–	750,000

Note: The shares were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interest in the ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares under the SDI Ordinance.

(d) Interest in Burcon NutraScience Corporation ("Burcon")

Name of director	Nature of interest	Number of common shares of Burcon held	Number of warrants of Burcon held	Number of share options of Burcon held
Chan Kwok Keung, Charles	Corporate interest	3,860,000 <i>(note)</i>	460,000 <i>(note)</i>	–
Chau Mei Wah, Rosanna	Personal interest	280,000	–	40,000

Note: The common shares and warrants were held by wholly-owned subsidiaries of the Company. By virtue of his deemed interest in the ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these common shares and warrants under the SDI Ordinance.

DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(e) Interest in Star East Holdings Limited ("Star East")

Name of director	Nature of interest	Number of shares of Star East held	Number of share options of Star East held
Chan Kwok Keung, Charles	Corporate interest	635,082,479 <i>(note)</i>	–
Lau Ko Yuen, Tom	Personal interest	382,000	–
Chau Mei Wah, Rosanna	Personal interest	–	12,500,000
Wong Kun To	Personal interest	–	15,500,000

Note: The shares were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interest in the ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares under the SDI Ordinance.

Paul Y. - ITC, Hanny, Burcon and Star East were associated corporations, within the meaning of the SDI Ordinance, of the Company.

Dr. Chan Kwok Keung, Charles was, by virtue of his deemed interest in the ordinary share capital of the Company, deemed to be interested in the securities of associated corporations, within the meaning of SDI Ordinance, of the Company under the SDI Ordinance.

Save as disclosed above, as at 31st March, 2003, none of the directors of the Company had any interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance, as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) Share options of the Company

At 31st March, 2003, there were no outstanding share options granted by the Company pursuant to the share option scheme of the Company adopted on 16th January, 2002. No share options were granted, exercised, cancelled or lapsed during the year. Details of the share option scheme of the Company are set out in note 37 to the financial statements.

(b) Share options of Paul Y. - ITC

The following table discloses movements in the share options of Paul Y. - ITC during the year:

Name of director	Date of grant	Exercise price per share <i>HK\$</i>	Number of shares of Paul Y. - ITC to be issued upon exercise of the share options		
			Outstanding at 1.4.2002	Lapsed during the year	Outstanding at 31.3.2003
Chan Kwok Keung, Charles	18th December, 1998	0.6048	9,587,301	(9,587,301)	–
Lau Ko Yuen, Tom	18th December, 1998	0.6048	9,587,301	(9,587,301)	–
	17th December, 1999	0.5552	5,000,000	–	5,000,000
Chau Mei Wah, Rosanna	18th December, 1998	0.6048	9,587,301	(9,587,301)	–
	17th December, 1999	0.5552	6,100,000	–	6,100,000
Chan Fut Yan	18th December, 1998	0.6048	9,587,301	(9,587,301)	–
	17th December, 1999	0.5552	5,000,000	–	5,000,000
			<u>54,449,204</u>	<u>(38,349,204)</u>	<u>16,100,000</u>

The outstanding options can be exercised at any time during a period of three years commencing on the expiry of six months after the date of acceptance of the options. Details of the share option schemes of Paul Y. - ITC are set out in note 37 to the financial statements.

DIRECTORS' REPORT *(continued)*

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

(b) Share options of Paul Y. - ITC *(continued)*

Save as disclosed herein, at no time during the year was the Company or any of 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 debt securities including debentures of, the Company or any other body corporate, and none of the directors, chief executives or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 48 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Interests of directors of the Company in competing business as at 31st March, 2003 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Chan Kwok Keung, Charles	Ananda Wing On Travel (Holdings) Limited ("Ananda") and its subsidiaries	Property business in Hong Kong <i>(note 1)</i>	As an executive director of Ananda <i>(note 2)</i>
	Dong Fang Gas Holdings Limited ("Dong Fang Gas") and its subsidiaries	Trading of building materials	As the chairman of Dong Fang Gas <i>(note 3)</i>
	Star East and its subsidiaries	Loan financing business in Hong Kong	As a substantial shareholder of Star East
	Star East and its subsidiaries	Property business in Hong Kong and the Mainland (being the People's Republic of China and for the purpose of this report, excluding Hong Kong and Macau) <i>(note 1)</i>	As a substantial shareholder of Star East
Lau Ko Yuen, Tom	New World CyberBase Limited ("New World CyberBase") and its subsidiaries	Property business in Hong Kong <i>(note 1)</i>	As a director of New World CyberBase <i>(note 4)</i>
Chau Mei Wah, Rosanna	Rosedale Hotel Group Limited ("Rosedale Hotel") and its subsidiaries	Property business in the Mainland <i>(note 1)</i>	As an executive director of Rosedale Hotel
	Star East and its subsidiaries	Loan financing business in Hong Kong	As an executive director of Star East
	Star East and its subsidiaries	Property business in Hong Kong and the Mainland <i>(note 1)</i>	As an executive director of Star East
Chan Kwok Hung	Dong Fang Gas and its subsidiaries	Trading of building materials	As an executive director of Dong Fang Gas <i>(note 5)</i>
	Rosedale Hotel and its subsidiaries	Property business in the Mainland <i>(note 1)</i>	As the chairman of Rosedale Hotel

DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS *(continued)*

Name of director	Name of company	Nature of competing business	Nature of interest
Chan Fut Yan	Rosedale Hotel and its subsidiaries	Property business in the Mainland <i>(note 1)</i>	As the vice chairman of Rosedale Hotel
Wong Kun To	Star East and its subsidiaries	Loan financing business in Hong Kong	As the managing director of Star East
	Star East and its subsidiaries	Property business in Hong Kong and the Mainland <i>(note 1)</i>	As the managing director of Star East
Cheung Hon Kit	Rosedale Hotel and its subsidiaries	Property business in the Mainland <i>(note 1)</i>	As the executive vice chairman of Rosedale Hotel

Notes:

1. Paul Y. - ITC, which has the property business in Hong Kong and the Mainland, became a subsidiary of the Company in December 2002.
2. Dr. Chan Kwok Keung, Charles was appointed as an executive director of Ananda in April 2002.
3. Dr. Chan Kwok Keung, Charles was appointed as an executive director and the chairman of Dong Fang Gas in September 2002 and March 2003 respectively.
4. Mr. Lau Ko Yuen, Tom resigned as a director of New World CyberBase in June 2003.
5. Mr. Chan Kwok Hung was appointed as an executive director of Dong Fang Gas in September 2002.

Having considered the nature, size and scope of the above business, the directors of the Company believe that there is unlikely to be any significant competition with the business of the Group.

Save as disclosed above, none of the directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONNECTED TRANSACTIONS

On 16th September, 2002, the Company had entered into a conditional agreement (the "Redemption and Subscription Agreement") (as amended by a supplemental agreement dated 4th October, 2002) with Galaxyway, a controlling shareholder indirectly wholly owned by Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company, relating to the redemption of the convertible notes issued by the Company in an aggregate principal amount of HK\$250,000,000 held by Galaxyway and, in consideration, subscription of the new convertible notes in the principal amount of up to HK\$250,000,000 at face value. Details of the transactions can be referred to a circular of the Company dated 23rd September, 2002. The Redemption and Subscription Agreement was approved by independent shareholders in a special general meeting of the Company held on 9th October, 2002.

On 25th October, 2002, the Company announced that its indirect wholly-owned subsidiary, Hollyfield Group Limited ("Hollyfield") will make voluntary conditional cash offers (the "Offers") at the price of HK\$0.30 for each share and HK\$0.01 for each warrant in Paul Y. - ITC, other than those shares and warrants presently owned by the Company or its wholly-owned subsidiaries. Dr. Chan Kwok Keung, Charles, on the same date, has undertaken to the Company that he will (i) reimburse all expenses incurred by the Company in connection with the Offers in the event that the preconditions to which they are subject are not fulfilled; (ii) provide the Company with the finance to enable it to satisfy full acceptance of the Offers; and (iii) make the Offers in the event the Company fails to obtain the approval from its independent shareholders to permit it to make the Offers, through Hollyfield. The Offers were approved by independent shareholders at a special general meeting of the Company on 6th December, 2002. Dr. Chan Kwok Keung, Charles has agreed to finance the Offers in full by granting to the Company on 28th October, 2002, a term loan facility of up to HK\$180,000,000 on an unsecured basis and on normal commercial terms of which HK\$66,500,000 was utilised as at 31st March, 2003.

As at 31st March, 2003, a subsidiary of Paul Y. - ITC, which in turn is a subsidiary of the Company, advanced approximately HK\$43,786,000 to Hamker Concrete Products Limited ("Hamker") which is 70% owned by Paul Y. - ITC for financing its operation. Such advance was the only financial assistance given by Hamker's shareholders to Hamker, and is unsecured, has no fixed terms of repayment and bears interests at commercial rate.

DIRECTORS' REPORT *(continued)*

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2003, the register of substantial shareholders kept by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued ordinary share capital of the Company:

Name of shareholder	Number of ordinary shares of the Company held		Percentage of issued ordinary share capital
	Direct interest	Deemed interest	
Chan Kwok Keung, Charles <i>(note)</i>	–	219,681,911	34.8%
Chinaview International Limited ("Chinaview") <i>(note)</i>	–	219,681,911	34.8%
Galaxyway	219,681,911	–	34.8%

Note: Galaxyway was a wholly-owned subsidiary of Chinaview which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles. Chinaview and Dr. Chan Kwok Keung, Charles were both deemed to be interested in 219,681,911 ordinary shares in the Company held by Galaxyway.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued ordinary share capital of the Company as at 31st March, 2003.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 47 to the financial statements.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 41 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 Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

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

During the year ended 31st March, 2003, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

AUDITORS

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

On behalf of the Board

Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 21st July, 2003