

Directors' Report

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st March, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2003 are set out in note 17 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 63.

DIVIDEND

The Directors do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

The Company does not have any distributable reserves.

FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 64.

FIXED ASSETS

During the year, the Group spent HK\$2,437,000 on leasehold improvements, furniture, fixtures and fittings and machinery and equipment.

The Group's investment properties were revalued on 31st March, 2003 at approximately HK\$37,380,000 and the resulting revaluation deficit of HK\$1,295,000 has been charged to the investment property revaluation reserve as set out in note 27 to the financial statements.

Details of these and other changes in fixed assets are set out in note 16 to the financial statements.

PROPERTIES

Particulars regarding properties held by the Group at 31st March, 2003 are set out on pages 65 and 66.

Directors' Report (cont'd)

SHARE CAPITAL AND SHARE OPTIONS

Details in the share capital and share options of the Company during the year are set out in notes 25 and 26 to the financial statements respectively.

CONVERTIBLE NOTES

Details of convertible notes are set out in note 23 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Leung Chung Ping, Owen (*Chairman*)
Sum Pui Ying, Adrian (*Managing Director*)
Wong Wang Chan

Non-executive director:

Leung Miu King, Marina

Independent non-executive directors:

Sit Kien Ping, Peter
Lai Si Ming, Simon

In accordance with Clauses 85 and 86 of the Company's Bye-laws, Miss Leung Miu King, Marina retires, and being eligible, offers herself for re-election.

The independent non-executive directors are subject to retirement by rotation in accordance with the above Bye-laws.

Neither of the directors proposed for re-election has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report (cont'd)

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2003, the interests of the directors and their associates in the share capital 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 pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Personal interests	Number of shares held		Other interests
		Family interests	Corporate interests	
Leung Chung Ping, Owen	20,000,000	–	–	–
Sum Pui Ying, Adrian	–	–	–	–
Wong Wang Chan	–	–	–	–
Leung Miu King, Marina	–	–	–	–
Sit Kien Ping, Peter	–	–	–	–
Lai Si Ming, Simon	–	–	–	–

Saved as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At 31st March, 2003, the directors had the following personal interests in share options to subscribe for shares in the Company granted under the share option scheme adopted by the Company on 15th September, 1997 (the "1997 Share Option Scheme") which expired on 15th September, 2000, details of which are set out in note 26 to the financial statements:

Name of director	Date granted	Exercise price	Number of share options
Leung Chung Ping, Owen	24th September, 1997	HK\$1.00	3,000,000
Sum Pui Ying, Adrian	24th September, 1997	HK\$1.00	3,000,000

No share option under the 1997 Share Option Scheme was exercised, lapsed or cancelled during the year under review. Options to executive directors may be exercised at any time during a period commencing from the date the option is accepted and ten years commencing from the date the option scheme is adopted.

Directors' Report (cont'd)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (cont'd)

Other than as disclosed above, at no time during the year the Company or any of its subsidiaries was 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. None of the directors, their spouses or their 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, no director is considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the convertible notes and the share option schemes as explained in notes 23 and 26 to the financial statements respectively, the Company had no outstanding convertible securities, options, warrants or similar rights at 31st March, 2003 and there was no issue or exercise of any convertible securities, options, warrants or similar rights during the year.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shown that the Company has been notified of the following persons with interests representing 10% or more of the Company's issued share capital:

Name	Number of Shares
Leung Shu Wing	55,000,000 (Note 1)
Kee Shing (Holdings) Limited ("Kee Shing")	55,000,000 (Note 1)
Pacific Apex International Limited ("Pacific Apex")	55,000,000
Leong Lou Teck	37,550,540 (Note 2)
Yap Han Hoe	37,508,000 (Note 2)
Galmare Investment Limited ("Galmare")	37,500,000
Eav Yin	51,239,980 (Note 3)
Eav An Unit Trust	32,876,000

Notes:

1. These shares refer to the same holding of 55,000,000 shares held by Pacific Apex. Pacific Apex is a wholly owned subsidiary of Kee Shing. Mr. Leung Shu Wing is the chairman and controlling shareholder of Kee Shing.
2. These shares include 37,500,000 shares held through Galmare. Galmare is equally owned by Mr. Leong Lou Teck and Mr. Yap Han Hoe.
3. These shares include 32,876,000 shares held by the Eav An Unit Trust, a family trust the beneficiaries of which include Mr. Eav Yin, his wife and children.

Directors' Report (cont'd)

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

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the law in Bermuda.

CORPORATE GOVERNANCE

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

MAJOR SUPPLIERS AND CUSTOMERS

The Group's largest supplier contributed 15% to the total purchases for the year and the aggregate amount of purchases attributable to the Group's top five suppliers represented 53% of the Group's total purchases.

Since the customer base of the Group is very wide, the aggregate sales attributable to the Group's five largest customers are less than 30% of the total sales during the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owning more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

AUDITORS

A resolution will be submitted at the Annual General Meeting of the Company to re-appoint Messrs. Charles Chan, Ip & Fung CPA Ltd. as the auditors of the Company.

EXPRESSION OF GRATITUDE

The Board would like to take this opportunity to express its profound gratitude to all staff members, shareholders, bankers, customers, suppliers and professional bodies for the sincere support they have rendered the Group to date.

By the order of the Board
SUM Pui Ying, Adrian
Company Secretary

Hong Kong, 18th July, 2003