

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 29 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 19.

A final dividend of HK\$0.01 per share amounting to HK\$1,881,150 was paid to the shareholders for the year of 2002. The directors do not recommend the payment of a dividend for the year.

FINANCIAL SUMMARY

A summary of the Group's results and its assets and liabilities for the past five years is set out on pages 59.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital are set out in note 21 to the financial statements.

Details of the share options of the Company are set out in note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in Group's property, plant and equipment are set out in note 11 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

Mr. Chang Chung Wa, Eddie
Ms. Tang Kit Ching, Venus

Independent non-executive directors

Dr. Li Chi Kwong
Prof. Pan Xiao Mei

In according with Clause 87 of the Company's Bye-laws, Prof. Pan Xiao Mei retires and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)

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

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing on 1st May, 2000, which will continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

(I) Shares

At 31st March, 2003, the interests of the directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Type of interest	Number of ordinary shares held
Mr. Chang Chung Wa, Eddie ("Mr. Chang")	Family interest (Note 1)	112,800,000
Ms. Tang Kit Ching, Venus ("Ms. Tang")	Corporate interest (Note 2)	28,200,000

Notes:

- (1) Tactful Finance Limited, a company incorporated in the British Virgin Islands, held 112,800,000 ordinary shares of the Company. Tactful Finance Limited is wholly owned by Spiritrider Development Inc., a company incorporated in the British Virgin Islands.

The entire issued share capital of Spiritrider Development Inc. is owned by A-One International Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Maple Securities Limited, a limited liability company incorporated in the British Virgin Islands, which is a discretionary trust set up by Mr. Chang, the trustee of which is HSBC International Trustee Limited. Beneficiaries of the trust include the family members of Mr. Chang.

- (2) Rubyrider Development Corp., a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned by Ms. Tang, held 28,200,000 ordinary shares of the Company.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SECURITIES (Continued)

Save as disclosed above and other than certain nominee shares in the Company's subsidiaries held in trust for the Group by certain directors, none of the directors or the chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

(II) Share Options

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 29th April, 2000 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 28th April, 2010. Under the Scheme, the Board of Directors of the Company may grant options to full-time employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31st March, 2003, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 13,360,000, representing approximately 7% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time excluding shares issued upon exercise of options granted pursuant to the Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the number of shares issued and issuable under the Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per each grant of option(s). Options may generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period and exercise price. The exercise price will not be less than the higher of the 80% of average closing price of the Company's shares for the five business days immediately preceding the date of grant, and the nominal value of the Company's shares.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(II) Share Options (Continued)

The following table discloses movements in the Company's share options during the year:

	Note	Option grant date	Exercise price HK\$	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at end of the year
Directors								
Dr. Li Chi Kwong	(1)	5th September, 2000	0.770	500,000	-	-	-	500,000
Prof. Pan Xiao Mei	(1)	5th September, 2000	0.770	100,000	-	-	-	100,000
Mr. Chang Chung Wa, Eddie	(2)	21st May, 2001	0.260	5,000,000	-	-	(300,000)	4,700,000
Ms. Tang Kit Ching, Venus	(2)	21st May, 2001	0.260	5,000,000	-	-	(300,000)	4,700,000
Total for Directors				10,600,000	-	-	(600,000)	10,000,000
Employees								
	(3)	15th July, 2000	0.568	3,050,000	-	-	(850,000)	2,200,000
	(4) & (5)	29th January, 2001	0.240	1,570,000	-	(145,000)	(265,000)	1,160,000
Total for Employees				4,620,000	-	(145,000)	(1,115,000)	3,360,000
				15,220,000	-	(145,000)	(1,715,000)	13,360,000

Notes:

- (1) The exercise period is divided into two trenches with 50% exercisable during the period from 26th August, 2001 to 25th August, 2005 and the other 50% exercisable during the period from 26th August, 2002 to 25th August, 2005.
- (2) The exercise period is from 7th May, 2002 to 6th May, 2006.
- (3) The exercise period is divided into three trenches with 40% exercisable during the period from 15th January, 2001 to 14th July, 2005, 30% exercisable during the period from 15th July, 2001 to 14th July, 2005 and 30% exercisable during the period from 15th January, 2002 to 14th July, 2005.
- (4) The exercise period is divided into two trenches with 50% exercisable during the period from 29th January, 2002 to 28th January, 2006 and the other 50% exercisable during the period 29th July, 2002 to 28th January, 2006.
- (5) The closing prices of the Company's shares immediately before 24th May, 2002 and 6th November, 2002, the date on which the options were exercised, were HK\$0.49 and HK\$0.28 respectively.

DIRECTORS' REPORT (Continued)

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 as of that date that, other than the interests disclosed under the heading "Directors' interests in securities", the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

CONNECTED TRANSACTIONS

In the opinion of directors, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance, to which the Company, its holding 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.

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 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

To the knowledge of the directors, the Company has complied throughout the year ended 31st March, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 28 to the financial statements.

AUDITORS

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

On behalf of the Board
Chang Chung Wa, Eddie
Chairman

Hong Kong, 22nd July, 2003