

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 29 to the financial statements.

RESULTS

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 12.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 12 to the financial statements.

DIRECTORS

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

Executive directors:

Mr. Chiu Tao – <i>Chairman</i>	(appointed on 12 June 2002 and resigned on 27 June 2003)*
Mr. Chiu Kong – <i>Chairman</i>	(appointed on 6 June 2002 as an executive director and on 27 June 2003 as the Chairman)
Mr. Kwan Kam Hung, Jimmy	(appointed on 11 November 2002)
Mr. Yeung Kwok Yu	(appointed on 27 June 2003)
Mr. Law Wing Kit, Stephen	(resigned on 12 June 2002)
Mr. Chang Wang	(resigned on 12 June 2002)

Non-executive director:

Mr. Chiu Tao	(resigned on 12 June 2002)*
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Independent non-executive directors:

Mr. Wu Wing Kit	
Mr. Qi Qing	(appointed on 6 September 2002)
Mr. Ong Peter	(appointed on 27 June 2003)
Mr. Tan Shao Hua	(resigned on 6 September 2002)
Mr. Lai Hin Wing, Henry	(resigned on 8 October 2002)

DIRECTORS *(continued)*

* Mr. Chiu Tao resigned as non-executive director on 12 June 2002 and was appointed as executive director and chairman of the Company on the same date. On 27 June 2003, Mr. Chiu Tao resigned as executive director and chairman and Mr. Chiu Kong was appointed as chairman.

In accordance with article 91 and article 99 of the Company's Articles of Association, Mr. Chiu Kong, Mr. Yeung Kwok Yu, Mr. Kwan Kam Hung, Mr. Qi Qing & Mr. Ong Peter retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out below:

Executive Directors

Mr. Chiu Kong, aged 45, was appointed as the Chairman of the Company in June 2003. He has over 15 years of experience in import and export trading, and business development.

Mr. Kwan Kam Hung, Jimmy, aged 41, was appointed as director of the Company in November 2002. He has over 10 years of experience in the management of finance and accounting.

Mr. Yeung Kwok Yu, aged 52, was appointed as director of the Company in June 2003. Mr. Yeung has over 20 years of experience in general trading business in both the PRC and Hong Kong.

Independent Non-executive Directors

Mr. Wu Wing Kit, aged 46, has been an independent non-executive director of the Company since August 1999. He holds a bachelor of laws degree from the University of Hong Kong and a master of law degree from the City University of Hong Kong and has been practicing as a solicitor in Hong Kong for more than 20 years. Mr. Wu is presently a partner of Fred Kan & Co. and is a notary public in Hong Kong and a China Appointed Attesting Officer. Mr. Wu is also a director of a number of listed companies in Hong Kong.

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BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Independent Non-executive Directors *(continued)*

Mr. Qi Qing, aged 39, was appointed as an independent non-executive director of the Company in September 2002. Mr. Qi holds a bachelor degree in physics and a master degree in engineering obtained from Northeast Normal University in the PRC and Tokyo University of Agriculture and Technology in Japan respectively. Mr. Qi has extensive experience in trading and manufacturing business.

Mr. Ong, Peter, aged 33, was appointed as an independent non-executive director of the Company in June 2003. He holds a bachelor's degree from California State University, Los Angeles, the United States of America. Mr. Ong is a merchant and has extensive experience in the press and insurance industries.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2003, the interests of the directors in the securities 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 or as otherwise notified to the Company and to The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

<u>Name of director</u>	<u>Type of interest</u>	<u>Number of shares</u>
Mr. Chiu Tao	Corporate <i>(Note)</i>	141,382,000

Note: These shares are held by New Excellence Holdings Limited, in which Mr. Chiu Tao has a 65% beneficial interest.

Save as disclosed above, none of the directors nor their associates had, at the balance sheet date, any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as set out in note 27 to the financial statements, no contract of significance 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.

SHARE OPTION SCHEME AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme and the details of options granted to a director of the Company are set out in note 21 to the financial statements.

Other than the share option scheme, the Company had no outstanding convertible securities or other similar rights as at 31 March 2003.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

<u>Name</u>	<u>Number of shares</u>	<u>Percentage holding</u>
Dr. Ho Hung Sun, Stanley	935,750,000	16%

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March 2003.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's revenue is derived from its investments. The Group, therefore, has no major customers or suppliers required to disclose.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the connected transactions and related party transactions of the Group are set out in note 27 to the financial statements.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 28 to the financial statements.

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PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The independent non-executive directors were not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified by the Company's Articles of Association. In the opinion of the directors, this meets the same objective as the Code of Best Practice set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Save as aforesaid, the Company has complied throughout the year ended 31 March 2003 with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules.

AUDITORS

During the year, Messrs. Ernst & Young, who acted as auditors of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu were appointed to fill the casual vacancy.

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

On behalf of the Board

Chiu Kong
Chairman

Hong Kong, 25 July 2003