

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 23 to 66.

An interim dividend of HK1 cent per ordinary share, with a scrip dividend option, amounting to an aggregate of HK\$4,179,000 was paid during the year, out of which approximately HK\$2,479,000 was satisfied by the allotment of 9,456,061 new shares of HK\$0.10 each in the Company, credited as fully paid, by way of scrip dividend, while the remaining HK\$1,700,000 was satisfied by the payment of cash. The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year ended 31 March 2003 to all shareholders whose names appear on the register of members of the Company on 5 September 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years as extracted from the audited financial statements and reclassified as appropriate:

RESULTS

	Year ended 31 March				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
Continuing operations	370,992	283,270	296,935	295,313	268,270
Discontinued operations	–	–	346	–	–
	370,992	283,270	297,281	295,313	268,270
PROFIT/(LOSS) FROM OPERATING ACTIVITIES					
Continuing operations	(2,843)	17,751	19,094	27,344	43,755
Discontinued operations	–	–	(17,001)	–	–
	(2,843)	17,751	2,093	27,344	43,755
Finance costs	(259)	(625)	(1,912)	(2,127)	(1,420)
Share of profit of a jointly-controlled entity	–	–	26	28	–
PROFIT/(LOSS) BEFORE TAX	(3,102)	17,126	207	25,245	42,335
Tax	(2,855)	(2,294)	1,038	(1,972)	(3,141)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(5,957)	14,832	1,245	23,273	39,194
Minority interests	–	344	183	–	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(5,957)	15,176	1,428	23,273	39,194

SUMMARY FINANCIAL INFORMATION (Continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)
FIXED ASSETS	171,391	181,861	202,315	231,826	234,905
INVESTMENT PROPERTIES	9,980	13,740	11,800	–	–
GOODWILL	421	527	–	–	–
OTHER INVESTMENTS	–	–	142,794	–	–
NOTE RECEIVABLE	–	15,500	–	–	–
DEFERRED PRE-OPERATING EXPENSES	–	–	–	–	171
INTEREST IN A JOINTLY- CONTROLLED ENTITY	–	–	–	418	–
LONG TERM DEPOSITS	–	–	2,552	–	–
DEPOSITS FOR PURCHASES OF FIXED ASSETS	3,837	–	–	–	–
CURRENT ASSETS	185,371	164,634	158,908	174,814	151,994
TOTAL ASSETS	371,000	376,262	518,369	407,058	387,070
CURRENT LIABILITIES	72,406	64,850	70,753	64,874	55,351
LONG TERM PORTION OF FINANCE LEASE PAYABLES	–	–	–	660	113
INTEREST-BEARING BORROWINGS	–	–	4,940	15,917	15,570
PROVISION FOR LONG SERVICE PAYMENTS	1,978	1,952	1,395	3,257	3,278
DEFERRED TAX	1,217	896	736	9,940	10,239
TOTAL LIABILITIES	75,601	67,698	77,824	94,648	84,551
MINORITY INTERESTS	–	–	1,017	–	–
NET ASSETS	295,399	308,564	439,528	312,410	302,519

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 14 and 15, respectively, to the financial statements. Further details of the Group's investment properties are set out on pages 67 and 68.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in notes 27 and 28, respectively, 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$122,127,000 as computed in accordance with the Companies Act 1981 of Bermuda (as amended), of which HK\$8,646,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, with a balance of HK\$53,055,000 as at 31 March 2003, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of turnover attributable to the Group's five largest customers represented 39% of the Group's total turnover. The amount of sales to the Group's largest customer represented 14% of the Group's total turnover.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 41% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 17% of the Group's total purchases.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Lui Chi
Mr. Brad Huang
Mr. Lui Shing Ming, Brian
Mr. Lui Shing Cheong
Mr. Lui Shing Chung, Victor
Mr. Lung Wai Kee

Independent non-executive directors:

Dr. Lam Chun Kong
Mr. Wang Chu Hong, James
Mr. Lo Wing Man

In accordance with bye-law 87 of the Company's bye-laws, Messrs. Brad Huang and Lo Wing Man will retire by rotation. Mr. Brad Huang, being eligible, will not offer himself for re-election at the forthcoming annual general meeting. Mr. Lo Wing Man, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

Messrs. Lui Chi, Lui Shing Ming, Brian, Lui Shing Cheong, Lui Shing Chung, Victor and Lung Wai Kee entered into service agreements with the Company for terms of three years commencing on 1 January 2000 which is subject to termination by either party giving not less than six months' written notice. These services agreements expired on 31 December 2002 and no new service agreement has been entered into with any directors thereafter.

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

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2003, the interests of the directors in the issued share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Director	Number of ordinary shares in the Company held and nature of interest			
	Personal	Family	Corporate	Other
Mr. Lui Shing Ming, Brian	3,125,000	–	234,678,029 (Note 1)	–
Mr. Lui Shing Cheong	3,125,000	–	234,678,029 (Note 1)	–
Mr. Lui Shing Chung, Victor	3,125,000	625,000 (Note 2)	234,678,029 (Note 1)	–
Mr. Lung Wai Kee	1,250,000	2,500,000 (Note 3)	–	–

Notes:

1. The 234,678,029 ordinary shares are owned by Harmony Link Corporation, a company incorporated in the British Virgin Islands. Approximately 48.4% of the issued share capital of Harmony Link Corporation is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except one unit which is owned by Mr. Lui Shing Ming, Brian) of The Lui Unit Trust are held by a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming, Brian, Lui Shing Cheong, Lui Shing Chung, Victor and other family members of Mr. Lui Chi. Each of Messrs. Lui Shing Ming, Brian, Lui Shing Cheong and Lui Shing Chung, Victor further owns approximately 24.13%, 12.88% and 14.59% of the issued share capital of Harmony Link Corporation, respectively.
2. The 625,000 ordinary shares are owned by the spouse of Mr. Lui Shing Chung, Victor.
3. The 2,500,000 ordinary shares are owned by the spouse of Mr. Lung Wai Kee.

The interests of the directors in the share options of the Company are separately disclosed in note 28 to the financial statements.

In addition to the above, certain directors have non-beneficial personal equity interest in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option schemes disclosures in note 28 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Due to the adoption of Hong Kong Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, the disclosures relating to the Company's share option schemes have been moved to note 28 to the financial statements.

Concerning the share options granted to the directors and employees as detailed in note 28 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the share options granted, because in the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of the share options.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests that is required to be kept by the Company, pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held	Percentage of holding in the Company's issued share capital
Harmony Link Corporation	234,678,029	54.3

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out under the heading "Directors' interests in shares" above, had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s bye-laws.

AUDIT COMMITTEE

The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code and with reference to “A Guide for the Formation of an Audit Committee” issued by the Hong Kong Society of Accountants in December 1997. The Committee comprises two independent non-executive directors, namely Dr. Lam Chun Kong and Mr. Wang Chu Hong, James. The principal duties of the Committee include the review and supervision of the Group’s financial reporting process and internal controls.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lui Chi

Chairman

Hong Kong

25 July 2003