

REPORT OF THE DIRECTORS

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

CHANGE OF COMPANY NAME

Pursuant to a resolution passed by the shareholders of the Company on 6 September 2002, the name of the Company was changed from “B-Tech (Holdings) Limited” to “Heritage International Holdings Limited”.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements.

During the financial year, the Group also diversified into money lending operations.

RESULTS AND DIVIDENDS

The Group’s loss for the financial year ended 31 March 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 15 to 61.

The directors do not recommend the payment of any dividend in respect of the financial year.

ISSUE OF BONUS WARRANTS

As announced by the Company and further explained in note 30(iii) to the financial statements, the directors of the Company recommend that subject to fulfillment of certain conditions precedent, bonus warrants to be issued to the shareholders of the Company on the basis of one bonus warrant per five shares of the Company held.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 March 2003, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 62 and 63, respectively. The summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the financial year are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the share capital, share options and warrants of the Company during the financial year, together with the reasons therefor, are set out in notes 21 and 22 to the financial statements.

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PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 financial year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the financial year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Details of the amount of reserves distributable to shareholders of the Company at the balance sheet date are set out in note 23 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 March 2003, the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

DIRECTORS

The directors of the Company during the financial year ended 31 March 2003 were:

Kwong Kai Sing, Benny (*Chairman*)

Poon Chi Wan

Chung Yuk Lun*

Chan Sze Hung**

To Shing Chuen**

* *Non-executive director*

** *Independent non-executive director*

Subsequent to the balance sheet date, on 27 June 2003, Mr. Ong Peter was appointed as an executive director as well as the managing director of the Company.

In accordance with bye-law 91 of the Company's bye-laws, Mr. Ong Peter will retire from office and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 99 of the Company's bye-laws, Mr. Chan Sze Hung will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

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DIRECTORS' SERVICE CONTRACTS

None of the directors 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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the directors had a significant interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the financial year.

MANAGEMENT CONTRACTS

No contracts 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 financial year.

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2003, the interests of the directors in the equity or debt securities of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in ordinary shares in the Company

Name of director	Number of shares of HK\$0.01 each held			
	Personal interest	Family interest	Corporate interest	Other interest
Kwong Kai Sing, Benny	—	—	395,150,000	—

Note: These shares were held by Fortuna Investments Group Limited ("Fortuna"). Fortuna is a wholly-owned subsidiary of Goldworld Development Limited, a company wholly-owned by Mr. Kwong Kai Sing, Benny.

In addition to the above, certain directors have non-beneficial personal equity interests 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, as at 31 March 2003, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 22 to the financial statements, at no time during the financial year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the 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 SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the financial year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 22 to the financial statements.

With regard to the share options granted during the financial year to the directors, employees, suppliers and others, as detailed in note 22, the directors do not consider it appropriate to disclose a theoretical value of the options granted, share options granted during the financial year to the directors, employees, suppliers and others, 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 nominal value of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares of HK\$0.01 each held	Percentage of the Company's issued share capital
Fortuna Investments Group Limited	395,150,000	25.38
Goldworld Development Limited	395,150,000	25.38

Note: These shares represent the same parcel of shares, further details of which are included in the section of "Directors' interests in securities".

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the financial year, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but 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.

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DISCLOSURE REQUIREMENTS OF PRACTICE NOTE 19

In according with the requirements under paragraph 3.3 of Practice Note 19 (the “PN19”) of the Listing Rules, the directors of the Company report below financial assistance given to an affiliated company (as defined by the PN19) as at 31 March 2003.

The financial assistance given to an associate, Speed World Investment Limited, in which the Group holds 30% equity interest, represented 304% of the consolidated net tangible assets of the Group as at 31 March 2003.

The summary balance sheet of and the Company’s attributable interest in the relevant associated company as at 31 December 2002 (being the latest practicable date for this report) disclosed in accordance with paragraph 3.10 of PN19 are as follows:

	Summary balance sheet at 31 December 2002 HK\$'000	The Company’s attributable interest HK\$'000
NON-CURRENT ASSETS		
Fixed assets	1,452	436
Properties under development	1,184,203	355,261
	<u>1,185,655</u>	<u>355,697</u>
CURRENT ASSETS		
Other receivables	14,148	4,245
Amount due from a fellow subsidiary	1	—
Cash and bank balances	74,883	22,465
	<u>89,032</u>	<u>26,710</u>
CURRENT LIABILITIES		
Trade payables, other payables and accrued liabilities	173,614	52,084
Amount due to immediate holding company	864,945	259,484
Amount due to ultimate holding company	18,476	5,543
Amounts due to other shareholders	344,713	103,414
	<u>1,401,748</u>	<u>420,525</u>
NET CURRENT LIABILITIES	<u>(1,312,716)</u>	<u>(393,815)</u>
	<u>(127,061)</u>	<u>(38,118)</u>



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POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 30 to the financial statements.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors and one non-executive director of the Company.

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

Kwong Kai Sing, Benny

Chairman

Hong Kong

29 July 2003