

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 43 and 44 to the financial statements, respectively.

RESULTS AND DIVIDEND

The results of the Group for the year ended March 31, 2003 are set out in the consolidated income statement on page 24.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of changes in the share capital of the Company are set out in note 30 to the financial statements.

INVESTMENT PROPERTIES

At March 31, 2003, the Group revalued all of its investment properties on an open market value basis. The deficit arising on the revaluation amounting to approximately HK\$204 million has been charged to the consolidated income statement.

Details of this and other movements during the year in the investment properties of the Group are set out in note 13 to the financial statements.

A summary of investment properties of the Group at March 31, 2003 is set out on pages 87 to 91.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$24 million and has additions of property, plant and equipment amounting to approximately HK\$122 million arising from the acquisition of subsidiaries.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 14 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:

Luk Siu Man, Semon (Chairperson)

Wong Chi Fai (Managing Director)

Fan Man Seung, Vanessa (Managing Director)

Yeung Lik Shing, Michael

Mok Fung Lin, Ivy

Chan Pak Lam, Tom

(appointed on August 27, 2002)

Tse Wai Chuen

(resigned on August 27, 2002)

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Independent non-executive directors:

Law Ka Ming, Michael

Chan Man Hon, Eric

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-laws 87(2) and 87(3) of the Company's Bye-laws, Mr. Wong Chi Fai and Ms. Mok Fung Lin, Ivy would retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

SUBSTANTIAL SHAREHOLDERS

At March 31, 2003, according to the register of substantial shareholders kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the following parties had notified the Company that they were interested in 5% or more of the issued share capital of the Company:

| Name | Number of shares | Percentage holding |
|--|------------------|--------------------|
| Charron Holdings Limited ("Charron") (Note 1) | 64,501,428 | 74.72% |
| Jumbo Wealth Limited ("Jumbo Wealth") (Note 1) | 64,501,428 | 74.72% |
| GZ Trust Corporation ("GZ Trust") (Note 1) | 64,501,428 | 74.72% |
| Yeung Sau Shing, Albert ("Mr. Albert Yeung") (Notes 1 and 2) | 64,567,475 | 74.79% |
| Luk Siu Man, Semon ("Ms. Semon Luk") (Note 3) | 64,567,475 | 74.79% |

Notes:

- 64,501,428 shares were registered in the name of Charron, a wholly-owned subsidiary of Jumbo Wealth. The entire issued share capital of Jumbo Wealth was held by GZ Trust on trust for The A&A Unit Trust, a unit trust under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Albert Yeung. Mr. Albert Yeung (as founder of the Trust), GZ Trust and Jumbo Wealth were all deemed to be interested in the 64,501,428 shares held by Charron.
- Mr. Albert Yeung was also deemed to be interested in the 66,047 shares held by his spouse, Ms. Semon Luk, a director of the Company.

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SUBSTANTIAL SHAREHOLDERS (continued)

Notes: (continued)

- Ms. Semon Luk had personal interest in 66,047 shares. By virtue of the interests of Mr. Albert Yeung under Note 1 above, Ms. Semon Luk, spouse of Mr. Albert Yeung, was also deemed to be interested in the 64,501,428 shares held by Charron.

Save as disclosed above, the Company had not been notified of any other interests representing 5% or more of the Company's issued share capital as at March 31, 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF ASSOCIATED CORPORATION

| (a) Name of associated corporation | Type and number of shares |
|--|---|
| Emperor (China Concept) Investments Limited ("ECC") (Note) | 3,411,310 ordinary shares of HK\$0.001 each |

Note: The shares were held by Worthly Strong Investment Limited ("Worthly Strong"), a wholly-owned subsidiary of Emperor Investment Limited ("EIL"), which in turn was a wholly-owned subsidiary of the Company, Charron, a wholly-owned subsidiary of Jumbo Wealth, held 64,501,428 shares in the Company. The entire issued share capital of Jumbo Wealth was held by GZ Trust on trust for The A&A Unit Trust, a unit trust under the Trust, a discretionary trust set up by Mr. Albert Yeung. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the shares held by Worthly Strong. By virtue of the interest of Mr. Albert Yeung, Ms. Semon Luk, spouse of Mr. Albert Yeung and director of the Company, was also deemed to be interested in the shares held by Worthly Strong in ECC.

| (b) Name of associated corporation | Type and number of shares |
|--|--|
| Emperor Entertainment Group Limited ("EEG") (Note) | 192,182,000 ordinary shares of HK\$0.01 each |

Note: The shares were held by Surplus Way Profits Limited ("Surplus Way"). The entire issued share capital of Surplus Way was held by Jumbo Wealth, which in turn was held by GZ Trust on trust for The A&A Unit Trust, a unit trust under the Trust, a discretionary trust set up by Mr. Albert Yeung. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the shares held by Surplus Way. By virtue of the interest of Mr. Albert Yeung, Ms. Semon Luk, spouse of Mr. Albert Yeung and director of the Company, was also deemed to be interested in the shares held by Surplus Way in EEG.

Save as disclosed above, as at 31st March, 2003, none of the directors or chief executives of the Company or their respective associates had any interest in the equity or debt securities of the Company or its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be maintained under Section 29 of the SDI Ordinance.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At March 31, 2003, save for the interests of Ms. Semon Luk as disclosed in the section headed "Substantial Shareholders" and "Directors' and Chief Executives' Interests in shares of Associated Corporation", none of the directors, chief executives or their associates, had any interests in any securities of the Company or any of its associated corporations according to the register required to be maintained by the Company pursuant to Section 29 of the SDI Ordinance.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 31 to the financial statements.

DIRECTORS' AND EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed in the section headed "Share Options", at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At March 31, 2003, the following directors have interests in some property investment companies which are considered to compete or are likely to compete with the businesses of the Group pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"):

1. Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan") is a director and a substantial shareholder of Bacchus International Limited, the subsidiaries of which hold certain properties in Hong Kong for investment purposes. Ms. Vanessa Fan also holds a property in Hong Kong for investment purposes.
2. Mr. Yeung Lik Shing, Michael ("Mr. Michael Yeung") is a director and substantial shareholder of (i), (ii) and (iii) below and a substantial shareholder of (iv) below. All of these companies hold certain properties in Hong Kong for investment purposes.
 - (i) Always Income Limited
 - (ii) Crown New Investment Limited
 - (iii) Grand Fair Limited
 - (iv) Kindyfield International Investment Limited

In view of the small scale of the properties held by Ms. Vanessa Fan and Mr. Michael Yeung for investment purposes, any competition from such investments, if any, would be negligible. The Group would be able to carry on its business at arm's length and independently of such investments.

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DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, the Group had the following transactions with directors or companies in which certain directors have beneficial interests:

During the year, the Group leased certain properties, on normal commercial terms, to Strong Time Investments Limited ("Strong Time"). Strong Time is a signing agent of Emperor International Exchange (Hong Kong) Company Limited, in which Ms. Semon Luk is 100% interested. The rental income received for the year amounted to approximately HK\$5,116,000.

During the year, the Group provided advertising, back office and professional services to Emperor Entertainment Group Limited ("EEG"). EEG is an investment holding company with its operating subsidiaries principally engaged in the entertainment business, in which Ms. Semon Luk has 73.92% deemed interest. Total service income received for the year amounted to approximately HK\$2,425,000.

Save as disclosed above, 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.

CONNECTED TRANSACTIONS

During the year, the Group leased certain properties to Beauty Royal Limited, a wholly-owned subsidiary of Emperor Watch Jewellery (Holdings) Company Limited, an associate of Mr. Albert Yeung. The aggregate rental income received for the year, on normal commercial terms, was approximately HK\$2,201,000.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or similar rights as at March 31, 2003. There had been no exercise of convertible securities, options, warrants or similar rights during the year.

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 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.

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DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$845,000.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended March 31, 2003, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

For the year ended March 31, 2003, the aggregate amount of goods and services received attributable to the Group's five largest suppliers represented approximately 63% of the Group's total goods and services received and the largest supplier accounted for approximately 38% for the year.

None of the directors, their associates, or any shareholder owning more than 5% of the Company's share capital, has interests in these suppliers.

CORPORATE GOVERNANCE

The Company had complied throughout the year ended March 31, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, save that (i) the independent non-executive directors of the Company were not appointed for specific term; and (ii) a full board meeting was held only once during the year.

AUDITORS

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

On behalf of the Board

Luk Siu Man, Semon

Chairperson

Hong Kong, July 17, 2003