

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries, associates and jointly controlled entities are set out in notes 39, 16 and 17 to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest suppliers of the Group together accounted for less than 30% of the Group's total purchases for the year. During the year, the aggregate sales attributable to the Group's five largest customers represented less than 30% of the Group's total sales.

For the year ended 31 March 2003, sales to the four distributors in Shenzhen, the People's Republic of China (the "PRC") amounted to approximately 32% of the turnover of the Group.

RESULTS AND APPROPRIATION

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

An interim dividend of HK\$0.005 per share amounting to HK\$10,670,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK\$0.045 per share to the shareholders on the register of member on 25 August 2003, amounting to HK\$96,274,000.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 74 and 75 and of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred approximately HK \$83 million on the construction of a research and development complex and new factory buildings situated in the PRC. The Group also acquired additional plant and machinery at a cost of approximately HK\$68 million for business expansion of production facilities. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

During the year, completed properties which held for their investment potential of HK\$123,962,000 were transferred from construction in progress to investment properties. The revaluation increase of HK\$993,000 arising on the revaluation as at 31 March 2003 has been credited directly to the investment property revaluation reserve. Details of these movements are set out in note 14 to the financial statements.

Directors' Report (continued)

BORROWINGS

Details of secured bank borrowings of the Group are set out in note 27 to the financial statements.

No interest was capitalised by the Group during the year.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

SHARE PREMIUM AND RESERVES

Details of movements during the year in the share premium and reserves of the Group are set out in the consolidated statement of changes in equity. The movements in share premium and reserve of the Company are set out in note 31 to the financial statements.

DIRECTORS

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

Executive directors:

Wong Wang Sang, Stephen - Chairman

Ng Kam Fai

Wong Pui Sing

Ding Kai

Kuo Teng Yeuk (resigned on 22 April 2003)

Independent non-executive directors:

So Hon Cheung, Stephen

Li Weibin

Liu Juh, James (resigned on 31 May 2003)

In accordance with Clauses 86 and 87 of the Company Bye-laws, Ng Kam Fai, Ding Kai and Li Weibin retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other directors continue in office.

All directors are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 April 2000. These service contracts will be valid unless terminated for cause or by either party giving at least one year's written notice.

None of the directors being proposed for re-election at the forthcoming annual general meeting 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.

Directors' Report (continued)

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

(a) Shares

At 31 March 2003, the interests of the directors and their associates' interests in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Type of interest	Number of shares
Wong Wang Sang, Stephen	Family (note)	819,719,000
	Personal	25,000,000
Ng Kam Fai	Personal	57,443,000
Wong Pui Sing	Personal	25,935,000
Ding Kai	Personal	15,935,000
Kuo Teng Yeuk (resigned on 22 April 2003)	Personal	67,017,000

Note:

These shares are held as to 816,768,000 shares by Target Success Group Limited in its capacity as trustee of the Skysource Unit Trust and as to 2,951,000 shares by the wife of Wong Wang Sang, Stephen ("Mr. Wong"). These shares are deemed Mr. Wong's interests under the SDI Ordinance.

Other than as disclosed above, as at 31 March 2003, none of the directors or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 March 2003.

Directors' Report (continued)

DIRECTORS' INTERESTS IN SHARES AND OPTIONS - continued

(b) Share options

Particulars of the share option schemes of the Company are set out in note 30 to the financial statements.

As at 31 March 2003, certain directors of the Company had personal interests in share options granted under the Company's Old Scheme as follows:

Name of director	Consideration paid for the option granted HK\$	Date of grant	Exercise price HK\$	Exercisable period	Number of share options		
					Outstanding at 1 April 2002	Exercised during the year	Outstanding at 31 March 2003
Wong Wang Sang, Stephen	1.00	25.11.2000	0.336	25.11.2002 to 27.3.2010	12,500,000	(12,500,000)	-
			0.336	25.11.2003 to 27.3.2010	12,500,000	-	12,500,000
			0.336	25.11.2004 to 27.3.2010	12,500,000	-	12,500,000
Ng Kam Fai	1.00	25.11.2000	0.336	25.11.2001 to 27.3.2010	3,000,000	(3,000,000)	-
			0.336	25.11.2002 to 27.3.2010	3,000,000	-	3,000,000
			0.336	25.11.2003 to 27.3.2010	3,000,000	-	3,000,000
			0.336	25.11.2004 to 27.3.2010	3,000,000	-	3,000,000
Wong Pui Sing	1.00	25.11.2000	0.336	25.11.2002 to 27.3.2010	1,000,000	(1,000,000)	-
			0.336	25.11.2003 to 27.3.2010	1,000,000	-	1,000,000
			0.336	25.11.2004 to 27.3.2010	1,000,000	-	1,000,000
Ding Kai	1.00	25.11.2000	0.336	25.11.2002 to 27.3.2010	1,000,000	(1,000,000)	-
			0.336	25.11.2003 to 27.3.2010	1,000,000	-	1,000,000
			0.336	25.11.2004 to 27.3.2010	1,000,000	-	1,000,000
Kuo Teng Yeuk (resigned on 22 April 2003)	1.00	25.11.2000	0.336	25.11.2002 to 27.3.2010	3,500,000	(3,500,000)	-
			0.336	25.11.2003 to 27.3.2010	3,500,000	-	3,500,000
			0.336	25.11.2004 to 27.3.2010	3,500,000	-	3,500,000

No share option was granted to the directors under the Old Scheme and the New Scheme during the year.

The directors do not consider it appropriate to disclose a theoretical value of the share options of the Company granted because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, and would be misleading.

Directors' Report (continued)

DIRECTORS' INTERESTS IN SHARES AND OPTIONS - continued

(b) Share options - continued

Save as disclosed above, 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 debentures of the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that the following shareholders as having an interest of 10% or more of the issued share capital of the Company:

Name	Number of shares	Approximate percentage of issued shares held
Target Success Group Limited	816,768,000 (note)	38.19%
HSBC International Trustee Limited	816,768,000 (note)	38.19%

Note: They held the shares of the Company in the respective capacities as trustee (in the case of Target Success Group Limited) of the Skysource Unit Trust (all of the units in which are owned by Skysource Trust) and (in the case of HSBC International Trustee Limited) of the Skysource Trust.

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.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in notes 7 and 38 to the financial statements:

- (i) 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 (the "Listing Rules"); and
- (ii) no contracts of significance subsisted at any time during the year 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.

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.

Directors' Report (continued)

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.

RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 37 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$245,000.

CORPORATE GOVERNANCE

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.

Up to the date of approval of these financial statements, the Audit Committee has held five meetings since 1 April 2002 up to the date of this report.

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



CHAIRMAN

22 July 2003