

Report of the Directors

The Board is pleased to submit their report together with the audited accounts of the Company and its subsidiaries (the “Group”) for the year ended 30th April 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are property investments and corporate investment and financial services.

An analysis of the Group’s turnover and segment results for the year ended 30th April 2003 is set out in note 4 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th April 2003 are set out in the consolidated profit and loss account on page 18.

The Board does not recommend the payment of a final dividend for the year ended 30th April 2003 (2002: Nil). No interim dividend was declared during the year (2002: Nil).

Details of the preference dividend payable during the year are set out in note 12 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Company and the Group during the year are set out in note 14 to the accounts.

SHARE CAPITAL

Details of the movements in the Company’s share capital during the year are set out in note 26 to the accounts.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 27 to the accounts.

SUBSIDIARIES, ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

Particulars of the principal subsidiaries, associate and jointly controlled entities as at 30th April 2003 are set out in notes 35 to 37 to the accounts.

BORROWINGS

Details of the movements in the bank loans of the Group and the Company are set out in note 24 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group’s five largest customers were less than 30% of the Group’s sales for the year. The aggregate purchases attributable to the Group’s five largest suppliers were less than 30% of the Group’s total purchases for the year.

Report of the Directors *(Continued)*

DIRECTORS

The directors of the Company during the year and as at the date of this report were as follows:

Executive directors

| | |
|--|--|
| Mr. Chan Fat Chu, Raymond | <i>(resigned on 16th December 2002)</i> |
| Mr. Chan Fat Leung, Alexander | <i>(resigned on 16th December 2002)</i> |
| Mr. Cheung Yu Shum, Jenkin (<i>Chairman</i>) | <i>(appointed on 16th December 2002)</i> |
| Mr. Lee Kin Chung, Simon | <i>(appointed on 16th December 2002)</i> |

Independent non-executive directors

| | |
|-----------------------------|--|
| Mr. Yoshiyuki Nagaoka | <i>(resigned on 16th December 2002)</i> |
| Mr. Chow Siu Ngor | <i>(appointed on 7th August 2002 and resigned on 16th December 2002)</i> |
| Mr. Shum Ka Hei | <i>(appointed on 16th December 2002)</i> |
| Mr. Cheung Man Yau, Timothy | <i>(appointed on 16th December 2002)</i> |

In accordance with bye-law numbered 86(2) of the Company's bye-laws, Messrs. Lee Kin Chung, Simon, Shum Ka Hei and Cheung Man Yau, Timothy, being directors appointed after the 2002 annual general meeting of the Company, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Cheung Yu Shum, Jenkin, aged 43, is the Chairman of the Company. Mr. Cheung joined the Company on 16th December 2002. Mr. Cheung holds memberships with various international accounting bodies and has worked for publicly listed companies in various capital markets. Mr. Cheung is the sole director of Perfect View Development Limited which is the controlling shareholder of the Company.

Mr. Lee Kin Chung, Simon, aged 44, was appointed as a director of the Company on 16th December 2002. Mr. Lee has involved in monitoring the compliance with rules and regulations of the regulatory authorities and internal control, setting investment strategies as well as executing and monitoring investment portfolios for a licensed asset management company. Mr. Lee has over 14 years of experience in fund management.

Mr. Shum Ka Hei, aged 38, was appointed as an independent non-executive director of the Company on 16th December 2002. Mr. Shum is a holder of a bachelor degree in social sciences. Mr. Shum was called to the bar of England and Wales in 1996 and is now a practising barrister in Hong Kong.

Mr. Cheung Man Yau, Timothy, aged 45, was appointed as an independent non-executive director of the Company on 16th December 2002. Mr. Cheung graduated from the University of Hong Kong with a bachelor of arts degree. Mr. Cheung is currently a practising accountant and an associate of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Mr. Cheung has more than 18 years of extensive experience in the finance field and previously worked for a number of international accounting firms and listed company in Hong Kong.

Report of the Directors *(Continued)*

DIRECTORS' SERVICE CONTRACTS

As at 30th April 2003, no director 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' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business 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 year end or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th April 2003, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Interest in the Company

| Name of director | Type of interests | No. of shares/ underlying shares held |
|----------------------------|-------------------|--|
| Mr. Cheung Yu Shum, Jenkin | Corporate | 910,750,000 <i>(Notes)</i> |

Notes:

1. The interests in 906,000,000 ordinary shares of HK\$0.05 each are held by Perfect View Development Limited ("Perfect View"), a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Cheung Yu Shum, Jenkin.
2. The interests in 4,750,000 underlying shares represents the interests in 38,000 6% convertible redeemable preference shares of the Company ("CPS") of par value of HK\$1.00 each with notional value of HK\$5.00 each convertible at the adjusted conversion price of HK\$0.04 each, which are held by Perfect View.

All the interests disclosed above represent long position in the shares of the Company.

Report of the Directors *(Continued)*

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

Interests in Share Options

Under the share option scheme of the Company approved by the shareholders in the annual general meeting held on 27th October 1998, the Board may, at their discretion invite any full-time employees, including full-time executive directors, of the Group to take up options to subscribe for ordinary shares of the Company subject to the terms and conditions stipulated in the scheme. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued capital of the Company. As the Stock Exchange has amended Chapter 17 of the Listing Rules which came into effect on 1st September 2001, no further options may be granted under the scheme unless its terms comply with the newly amended provision of Chapter 17 of the Listing Rules. In this connection, during the year under review, there was no share options granted to the directors of the Company under the scheme. The directors proposed to terminate the scheme and adoption of a new share option scheme at the forthcoming annual general meeting of the Company.

Save as disclosed herein, none of the directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the section headed "Directors' Interests in Securities" above, as at 30th April 2003, the following persons (other than a director of the Company) who have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name of shareholder | Number of shares/ underlying shares held |
|-------------------------------|---|
| Mr. Zhou Weirong | 632,875,000 |
| Smartgood Investments Limited | 632,875,000 |

Note:

1. The interests in 632,875,000 underlying shares represent the interests in (a) HK\$20,000,000 2% convertible notes issued by the Company with the conversion price of HK\$0.05 each convertible into 400,000,000 ordinary shares, and (b) 1,863,000 CPS convertible into 232,875,000 ordinary shares, both are held by Smartgood Investments Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Zhou Weirong.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, the directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

Report of the Directors *(Continued)*

PRACTICE NOTE 19 TO THE LISTING RULES

Financial assistance to affiliated companies

Yetcome Investments Limited ("Yetcome")/T & T Properties Sdn. Bhd. ("T&T")

The Company entered into a shareholders agreement ("Yetcome Shareholders Agreement") with, amongst others, two independent third parties (the "Yetcome Shareholders") on 11th February 1993 pursuant to which the parties set out the terms and conditions on which a joint venture company, Yetcome (the British Virgin Islands incorporated holding company of T&T), would be operated. The purpose of setting up Yetcome and its wholly-owned subsidiary, T&T, was to develop a complex consisting of an office tower, a retail podium, car park spaces and related facilities ("Complex A") together with a hotel complex ("Complex B") in Johor Bahru, Malaysia. Pursuant to the Yetcome Shareholders Agreement, the Company agreed to make pro rata shareholders loans to Yetcome. The Company has a 33.33% equity interest in the project companies owning 70% interests of Complex A and a 66.67% equity interest in Complex B.

Pursuant to the Yetcome Shareholders Agreement, the Company made loans in the aggregate amount of HK\$12,802,000 to various immediate holding companies of Yetcome. The immediate holdings companies relating to Complex A and Complex B are owned effectively as to 33.33% (out of 70%) and as to 66.67% by the Company respectively. In addition, the Company also made loans amounting to HK\$113,818,000 and HK\$9,692,000 to Yetcome and T&T as at 30th April 2003. The loans to Yetcome and various immediate holding companies are unsecured, interest free and repayable on demand.

As at 30th April 2003, Yetcome has no material capital commitment for Complex A and Complex B.

In conclusion, as a result of the loan and financing arrangements set out above, the aggregate of all amounts due from various affiliated companies amounts to approximately HK\$136,312,000, representing approximately 22 times of the Group's net asset value.

Note:

The exchange rates used above is as follows:

| | | |
|----------|---|------------|
| RM1.00 | = | HK\$2.0376 |
| US\$1.00 | = | HK\$7.8 |

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the jurisdiction of Bermuda in which the Company is incorporated.

Report of the Directors *(Continued)*

MANAGEMENT CONTRACTS

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

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the financial year with the Code of Best Practice ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 in accordance with the Company's Bye-laws, throughout the year ended 30th April 2003.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company, Messrs. Shum Ka Hei and Cheung Ma Yau, Timothy.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 60 of this annual report.

AUDITORS

Ting Ho Kwan & Chan shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Cheung Yu Shum, Jenkin
Chairman

Hong Kong, 13th September 2003