

DIRECTORS' REPORT

Year ended 30th June 2003

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30th June 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and an associate are set out in notes 13 and 33 to the financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th June 2003 and the state of its affairs at that date are set out in the financial statements on pages 16 to 55.

The directors do not recommend the payment of any dividend for the year ended 30th June 2003.

FIXED ASSETS

Details of movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 24 to the financial statements. Shares were issued during the year to broaden the capital base of the Company.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 16th December 1997 for the purpose of providing incentives to directors and employees. The Scheme will remain in force for a period of 10 years from the date of adoption and will expire on 15th December 2007.

Under the Scheme, the board of directors of the Company may, at their discretion, grant options to directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company in accordance with the Scheme.

The subscription price of the options shall be a price to be determined by the directors of the Company being not less than the nominal value of the ordinary shares nor 80% of the average closing price of the ordinary shares of the Company for the five trading days immediately preceding the date of the offer of the options.

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SHARE OPTIONS (continued)

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual at the grant date shall not exceed 25% of the number of shares issued and issuable under the Scheme.

Options granted must be taken up within 21 days from the date of grant. No consideration is payable on the grant of an option. An option may be exercised in accordance with the terms of the Scheme at any time during a period of 3 years commencing 12 months after the date on which the option is granted but, in any event, no later than 15th December 2007.

No option was granted or exercised during the year.

At the balance sheet date, no option was outstanding under the Scheme.

RESERVES

Details of movements during the year in the reserves of the Group and of the Company are set out in note 26 to the financial statements.

DIRECTORS

The directors of the Company who held office during the year were as follows:–

Executive Directors:

Mr. Chan Tak Hung

Mr. Lum Chor Wah, Richard

Mr. Lai Tin Ying, Michael

Mr. Yeung Wood Sang (appointed on 27th January 2003)

Independent non-executive directors:

Mr. Kong Chung Yau

Mr. Yan King Hong, Richard (appointed on 23rd August 2002)

Mr. Lau Kit Hung (resigned on 23rd August 2002)

In accordance with Clause 86(2) and 87(1) of the Company's Bye-Laws, Ms. Hwang Sok In and Mr. Lee Hong Chak, Heili will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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DIRECTORS (continued)

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any 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 SHARES

At 30th June 2003, the interests of the directors of the Company and their associates in the share capital of the Company and its associated corporations, within the meaning of the Hong Kong Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Nature of interests	Number of ordinary shares held
Chan Tak Hung	Personal	25,857,053
Lai Tin Ying, Michael	Personal	2,500
Yeung Wood Sang	Personal	2,556,963

In addition, at 30th June 2003, Lai Tin Ying, Michael held a 30% interest in the shares of Michael Lai Production Holdings Limited, a 70% owned subsidiary of the Company.

Save as disclosed above, none of the directors or chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

At 30th June 2003, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shown that, other than the interests disclosed under the heading "Directors' interests in shares", the Company had not been notified of any interest representing 10% or more in the issued share capital of the Company.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions for the year are set out in note 32 to the financial statements.

Save as disclosed above, no contract 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 46% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 20% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers accounted for 52% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 18% of the Group's total purchases.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in the share capital of any of the five largest customers or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

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POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 34 to the financial statements.

AUDITORS

In respect of the year ended 30th June 2003, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and Messrs. Lam, Kwok, Kwan & Cheng C.P.A. Limited were appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Lam, Kwok, Kwan & Cheng C.P.A. Limited as auditors of the Company.

FOR AND ON BEHALF OF THE BOARD

Chan Tak Hung

Chairman

Hong Kong, 29th September 2003