

DIRECTORS' REPORT

The directors present their first report and the audited financial statements of the Company from 21 May 2003 (date of incorporation) to 31 March 2004 and of the Group for the year ended 31 March 2004.

REORGANISATION AND LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2001 Second Revision) of the Cayman Islands on 21 May 2003.

Pursuant to a group reorganisation (the "Corporate Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 11 September 2003. Details of the Corporate Reorganisation are set out in the prospectus issued by the Company dated 16 September 2003 (the "Prospectus"). The shares of the Company were listed on the Stock Exchange with effect from 26 September 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 30 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2004 are set out in the consolidated income statement on page 18.

The directors of the Company recommended the payment of a final dividend of HK\$0.10 per share for the year ended 31 March 2004 to the shareholders on the register of members on 16 August 2004, amounting to approximately HK\$96,078,000, subject to the approval of the shareholders at the forthcoming annual general meeting.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 20 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$646 million for the purpose of expanding its business. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in note 9 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the period and up to the date of this report were:

Executive directors

Lee Wan Keung, Patrick (<i>Chairman</i>)	(appointed on 11 June 2003)
Lee Man Chun, Raymond (<i>Chief executive officer</i>)	(appointed on 11 June 2003)
Tan Siak Him, Alexander	(appointed on 11 June 2003)

Independent non-executive directors

Wong Kai Tung, Tony	(appointed on 11 September 2003)
Heng Kwoo Seng	(appointed on 11 September 2003)

In accordance with Articles 86(3) and 87(1) of the Company's Articles of Association, each of Mr. Lee Wan Keung, Patrick, Mr. Lee Man Chun, Raymond, Mr. Tan Siak Him, Alexander, Mr. Wong Kai Tung, Tony and Mr. Heng Kwoo Seng retire and, being eligible, offer themselves for re-election.

Each of the executive directors has entered into a service agreement with the Company for an initial period of four years commencing 1 September 2003, which will continue thereafter unless and until terminated by either party by three months' prior written notice.

Each of the independent non-executive directors has entered into a service agreement with the Company for an initial period of one year commencing 1 September 2003, which will continue thereafter unless and until terminated by either party by three months' prior written notice.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Articles of Association.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN EQUITY OR DEBT SECURITIES

As at 31 March 2004, the relevant interests or short positions of the directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO)) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the relevant provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

Long positions

(a) Ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of ordinary shares	Number of ordinary shares subject to options granted under the Pre-IPO Share Option Scheme	Percentage of the issued share capital of the Company
Lee Wan Keung, Patrick	Held by controlled corporation (<i>Note</i>)	570,500,000	–	67.87%
Lee Man Chun, Raymond	Held by controlled corporation (<i>Note</i>)	570,500,000	–	67.87%
Tan Siak Him, Alexander	Beneficial owner	–	3,000,000	0.36%
Wong Kai Tung, Tony	Beneficial owner	–	1,000,000	0.12%
Heng Kwoo Seng	Beneficial owner	–	1,800,000	0.21%

Note: These shares were held by Gold Best Holdings Ltd. ("Gold Best"), whose entire issued share capital is held by Newcourt Trustees Limited ("Newcourt Trustees") as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Mr. Lee Wan Keung, Patrick and Mr. Lee Man Chun, Raymond (both of whom are directors of the Company), certain of their family members and other charitable objects.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN EQUITY OR DEBT SECURITIES (Continued)

Long positions (Continued)

(b) Ordinary shares of the associated corporations of the Company

Name of director	Capacity	Name of associated corporation	Number of ordinary shares	Percentage of the issued share capital of the associated corporation
Lee Wan Keung, Patrick	Held by controlled corporation (Note)	Gold Best	5	100%
Lee Man Chun, Raymond	Held by controlled corporation (Note)	Gold Best	5	100%

Note: As Gold Best owns more than 50% interest of the Company, Gold Best is an associated corporation of the Company under the SFO. The entire issued share capital of Gold Best is owned by Newcourt Trustees as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Mr. Lee Wan Keung, Patrick and Mr. Lee Man Chun, Raymond (both of whom are directors of the Company), certain of their family members and other charitable objects.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2004.

SHARE OPTIONS

Particulars of the Company's share option schemes, namely Share Option Scheme and Pre-IPO Share Option Scheme, are set out in note 22 to the financial statements.

DIRECTORS' REPORT

SHARE OPTIONS (Continued)

The following table discloses movements in the Company's Pre-IPO Share Option Scheme during the period.

Name	Date of grant	Exercise price per share HK\$	Exercisable period	Number of shares of the Company to be issued upon exercise of the share options		
				Granted during the period	Exercised during the period	Outstanding at 31.3.2004
Category I: Directors						
Tan Siak Him, Alexander	11.9.2003	4.17	27.3.2004 to 25.9.2006	3,000,000	-	3,000,000
Wong Kai Tung, Tony	11.9.2003	4.17	27.3.2004 to 25.9.2006	1,000,000	-	1,000,000
Heng Kwoo Seng	11.9.2003	4.17	27.3.2004 to 25.9.2006	1,800,000	-	1,800,000
Total Directors				5,800,000	-	5,800,000
Category II: Shareholders						
Gold Best	11.9.2003	4.17	26.9.2003 to 25.9.2006	61,000,000	(61,000,000)	-
Category III: Other employees						
Employees	11.9.2003	4.17	27.3.2004 to 25.9.2006	5,900,000	(1,006,000)	4,894,000
Category IV: Others						
Consultants	11.9.2003	4.17	27.3.2004 to 25.9.2006	2,300,000	(400,000)	1,900,000
Total				75,000,000	(62,406,000)	12,594,000

No options have been granted under the Share Option Scheme since its adoption.

The weighted average closing prices of the Company's shares on the trading day immediately before the dates on which the options under the Pre-IPO Share Option Scheme were exercised was HK\$5.097.

DIRECTORS' REPORT

SHARE OPTIONS *(Continued)*

The Pre-IPO share options were granted by the Company on the assumption that (i) the offer price is HK\$3.92 (the mid-point of the indicative offer price ranged stated in the Prospectus); (ii) the price to be paid by an optionholder for the conversion of options into shares to be HK\$3.92 per share (the mid-point of the indicative offer price ranged stated in the Prospectus); (iii) the period upon which the option may be exercised by an optionholder to be three years from the date of grant of option; and (iv) the annual interest rate to be 0.05%, the directors estimated that the value of the options granted under the Pre-IPO Share Option Scheme to be approximately HK\$0.0059 per option and the aggregate value of the options under the Pre-IPO Share Option Scheme to be approximately HK\$442,000, based on the Black-Scholes valuation method.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share Options" above, at no time during the period was the Company, its holding company or any of its fellow subsidiaries or 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 debts securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the following persons (other than directors or chief executives of the Company) had an interest or short position in the ordinary shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Gold Best	Beneficial owner	570,500,000	67.87%
Newcourt Trustees	Held by controlled corporation	570,500,000	67.87%
Lee Wong Wai Kuen	Held by spouse (<i>Note</i>)	570,500,000	67.87%

Note: Under the SFO, Lee Wong Wai Kuen is deemed to be interested in these 570,500,000 ordinary shares as she is the spouse of Lee Wan Keung, Patrick, a director of the Company.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, as at 31 March 2004, the Company had not been notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 28 to the financial statements. In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that were fair and reasonable so far as the shareholders of the Company are concerned;
- (iii) either (a) in accordance with the terms of the agreements; or (b) where there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
- (iv) within the relevant cap amounts as agreed by the Stock Exchange.

Save as disclosed above, there were no other transactions which are required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the heading "Connected Transactions", there were no contracts of significance to which the Company, its holding company or any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 52% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 31% of the Group's total purchases.

The aggregate sales during the year attributable to the Group's five largest customers were less than 30% of the Group's total sales.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

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

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

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

CORPORATE GOVERNANCE

The Company has complied throughout the period ended 31 March 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$121,000.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 29 to the financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company during the period. A resolution will be submitted to the annual general meeting of the Company to re-appoint them.

On behalf of the Board
Lee Wan Keung, Patrick
Director

Hong Kong, 6 July 2004