

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding and property investment company. The principal activity of the Group is property investment. In the past, the Group was also engaged in the manufacture and sale of garments which were discontinued upon disposal of certain subsidiaries during the year.

RESULTS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 15 of the annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 53 of the annual report.

SHARE CAPITAL

Details of the movement during the year in the issued share capital of the Company are set out in note 24 to the financial statements.

SHARE OPTIONS

The share option scheme of the Company adopted on 19th March, 1992 (the "Scheme") was for the primary purpose of providing incentives to directors and eligible employees, and expired on 18th March, 2002. Under the Scheme, the directors of the Company might grant options to any executive director or employee of the Group to subscribe for ordinary shares in the Company at a price notified by the directors and should not be less than 80 percent of the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the offer of the option or the nominal value of the shares, whichever is the higher. The number of ordinary shares in respect of which options might be granted to any individual at any time was not permitted to exceed 2.5 percent of the issued ordinary share capital of the Company at any point in time and the maximum number of shares in respect of which options might be granted under the Scheme should not exceed 10 percent of the issued share capital of the Company from time to time.

Options granted under the Scheme should be taken up within 21 days from the date of grant of share options and were exercisable at any time after the date of options were accepted to the expiry of the Scheme, subject to certain restrictions contained in the offer letters. Options might be granted without any initial payment.

No options had ever been granted under the Scheme.

INVESTMENT PROPERTIES

The Group's and the Company's investment properties were revalued at 31st March, 2002 on an open market value existing use basis. Details of the movements during the year in investment properties of the Group and the Company are set out in note 12 to the financial statements.

A summary of the properties held for investment purposes by the Group at 31st March, 2002 is set out on page 54 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in property, plant and equipment of the Group and the Company are set out in note 13 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:

Zhang Hongwei — *Chairman and Managing Director*

Guan Guoliang

Wong Wing Ming

Independent non-executive directors:

Chan Ka Si

Tam Chi Wah (appointed on 5th December, 2001)

Chan Siu Kwan (resigned on 5th December, 2001)

In accordance with Article 91 of the Company's Articles of Association, Mr. Tam Chi Wah retires and, being eligible, offers himself for re-election.

In accordance with Article 99 of the Company's Articles of Association, Mr. Wong Wing Ming retires by rotation and, being eligible, offers himself for re-election.

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.

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

DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2002, as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), Mr. Zhang Hongwei was interested in 481,691,250 shares of the Company, representing approximately 50.2% of the issued share capital of the Company as at 31st March, 2002. These shares were held by He Fu International Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Zhang Hongwei.

Save as disclosed above, none of the directors, nor any of their associates had any interest as at 31st March, 2002 in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme that expired during the year as detailed above, in respect of which no options had ever been granted, at no time during the year was the Company, or any of its subsidiaries or holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt 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

Other than the interest disclosed above in respect of a director, the Company has not been notified of any other interests as at 31st March, 2002 representing 10% or more in the issued share capital of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, the Company entered into transactions with a company in which Mr. Zhang Hongwei has a beneficial interest, details of which were set out in note 20 to the financial statements.

Other than the interest disclosed above, no contracts of significance to which the Company, or any of its subsidiaries or holding company 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.

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 Articles of Association, or the laws of the Cayman Islands, 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 31st March, 2002 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDITORS

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

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Zhang Hongwei' in Chinese characters, written in a cursive style.

Zhang Hongwei

Chairman and Managing Director

Hong Kong, 23rd July, 2002