

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 company. The principal activities of its subsidiaries and an associate are set out in notes 33 and 15 respectively to the financial statements. In addition, details of the segmental information of the Group are set out in note 5 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 21 of the annual report.

The directors do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the Company's rights issue and placement of shares and other movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 25 to the financial statements.

DIRECTORS

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

Executive directors:

Mr. Li Man Ching (*Chairman*)

Ms. Li Mei Lin (*Deputy Chairman*)

Mr. Li Man Shun

Mr. Li Man Tak

Independent non-executive directors:

Mr. Lau Chung Man, Louis

Mr. Tsui Wing Yin

In accordance with Article 110(A) of the Company's Bye-laws, Ms. Li Mei Lin and Mr. Li Man Shun retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

Ms. Li Mei Lin and Mr. Li Man Shun have entered into service contracts with the Company for the term commencing 1st March, 1999. All their appointments shall continue thereafter, subject to termination by either party giving at least three months' prior notice to the other party.

Other than as disclosed above, no directors 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' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31st March, 2002, the interests of the directors and chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of interests) Ordinance ("SDI Ordinance") were as follows:

	Number of shares held	
	Personal interests	Other interests (Note)
Mr. Li Man Ching	–	1,637,480,000
Ms. Li Mei Lin	–	1,637,480,000
Mr. Li Man Shun	–	1,637,480,000
Mr. Li Man Tak	56,200,000	1,637,480,000

Note: Mr. Li Man Ching, Ms. Li Mei Lin, Mr. Li Man Shun and Mr. Li Man Tak beneficially own 24,300 shares, 22,500 shares, 21,600 shares and 21,600 shares, respectively, in Rayten Limited, representing 27 per cent, 25 per cent, 24 per cent and 24 per cent, respectively, of the issued share capital of Rayten Limited, which in turn owns 1,637,480,000 shares of HK\$0.01 each in the Company.

Other than as disclosed above, none of the directors and 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.

SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 3rd March, 1997 (the "Scheme"), the directors of the Company may grant options to any executive director or employee of the Company or any of its subsidiaries to subscribe for shares in the Company for the primary purpose of providing incentives to directors and eligible employees. The subscription price shall not be less than the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

SHARE OPTION SCHEME - continued

Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The options granted under the Scheme can be exercised at any time within the period of maximum of ten years from the acceptance of the option.

The total number of shares in respect of which options may be granted and had already been granted to any individual should not exceed 25% of the maximum number of the shares in respect of which option may be granted under the Scheme.

During the year, no share option was granted or exercised under the Scheme.

In addition, an option to subscribe for 3,000,000 ordinary shares of HK\$0.10 each in the Company within the exercisable period from 3rd January, 2000 to 31st December, 2002 at exercise price of HK\$0.163 per share, which were granted to an employee and outstanding at 31st March, 2001, were surrendered during the year ended 31st March, 2002.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives 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, chief executives 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

Other than the interest as disclosed above in respect of certain directors and their associates, the register required to be maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of the existence of any interest representing 10% or more of the issued share capital of the Company as at 31st March, 2002.

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 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 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 'W. H. Ip', written over a horizontal line.

CHAIRMAN

Hong Kong, 26th July, 2002