

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 activities of its principal subsidiaries are set out in note 48 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 18.

Share Capital, Share Options and Warrants

Details of the movements in the share capital, share options and warrants of the Company are set out in notes 30, 31 and 32 to the financial statements, respectively.

Share Premium and Reserves

Movements in the share premium and reserves of the Group and the Company during the year are set out in note 33 to the financial statements.

Investment Properties

The investment properties of the Group were revalued as at 31st March, 2002 and the resulting net deficit on revaluation amounted to approximately HK\$8,207,000.

Details of these and other movements in the investment properties are set out in note 12 to the financial statements.

Property, Plant and Equipment

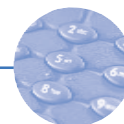
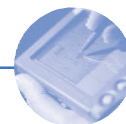
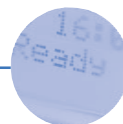
The leasehold land and buildings of the Group were revalued as at 31st March, 2002 and the resulting net surplus on revaluation amounted to approximately HK\$107,000.

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

Properties Under Development

During the year, one of the Group's properties under development situated in Hong Kong was transferred to investment properties.

Details of properties under development of the Group are set out in note 15 to the financial statements.



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Major Properties

Particulars of the major properties of the Group are set out on pages 81 and 82.

Directors and Service Contracts

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

Executive directors:

Mr. Lai Yiu Keung, Chairman

Madam Chung Lai Ha

Mr. Lai Chi Kin

Mr. Kwok Chong, Anthony

Mr. Tang Xueyi

Mr. Cheung Kin Keung *(resigned on 10th May, 2001)*

Non-executive directors:

Mr. Tsui Tack Kong

Mr. Koh Tat Lee

Mr. Lam Hon Keung, Keith *(resigned on 27th June, 2001)*

Independent non-executive directors:

Mr. Ho John

Mr. Ling Kam Tong, Victor

In accordance with Clause 87(1) of the Company's Bye-laws, Messrs. Lai Chi Kin and Ho John will retire by rotation and, being eligible, offer themselves for re-election.

The Company has entered into service contracts with certain executive directors of the Company, pursuant to which Mr. Lai Yiu Keung has agreed to act as an executive director for a term of three years commencing 1st October, 2000 and Madam Chung Lai Ha, Mr. Kwok Chong, Anthony and Mr. Lai Chi Kin have agreed to act as executive directors for a term of two years commencing 1st October, 2001.

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.

The terms of office of non-executive directors are the periods up to their respective retirement dates by rotation in accordance with the Company's Bye-laws.

DIRECTORS' REPORT

Directors and Service Contracts *(Continued)*

The Company has also entered into service contracts with all independent non-executive directors of the Company for a term of three years commencing 1st January, 2000.

Connected Transactions and Directors' Interest in Contracts

Saved as disclosed in note 46 to the financial statements:

- (i) there were no other transactions which are required to be disclosed as connected transactions pursuant to the requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"); and
- (ii) there were no other contracts 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 this year or at any time during the year.

Directors' Interests in Shares

As at 31st March, 2002, the interests of directors and their associates in the shares of the Company or any of its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Type of interest	Number of shares
Mr. Lai Yiu Keung	Family (Note 1)	280,700,000
	Corporate (Note 2)	30,000,000
	Personal	185,264,000
Madam Chung Lai Ha	Family (Notes 1, 2 & 3)	495,964,000
Mr. Tsui Tack Kong	Personal	43,397,500

Notes:

1. These shares are beneficially held by Justwell Limited through its wholly owned subsidiary, United Man's Limited. The entire issued share capital of Justwell Limited is held by a trustee for the benefit of a discretionary trust, the beneficiaries of which include certain other family members of Mr. Lai Yiu Keung and Madam Chung Lai Ha.
2. These shares are registered in the name of Justgood Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Lai Yiu Keung.

DIRECTORS' REPORT

Directors' Interests in Shares *(Continued)*

3. Madam Chung Lai Ha is the spouse of Mr. Lai Yiu Keung and is deemed to be interested in those shares of the Company in which Mr. Lai Yiu Keung has an interest.

In addition to the above, the following directors beneficially owned the non-voting 5% deferred shares in the following subsidiaries of the Group as at 31st March, 2002:

Name of director	Name of subsidiary	Number of non-voting 5% deferred shares
Mr. Lai Yiu Keung	Billtech Limited	2,000
	Oriental Gain Properties Limited	3,710
Mr. Tsui Tack Kong	Oriental Gain Properties Limited	530

The non-voting 5% deferred shares practically carry no rights to dividends or to receive notice of or attend or vote at any general meeting of or to participate in the surplus assets of the above-mentioned companies.

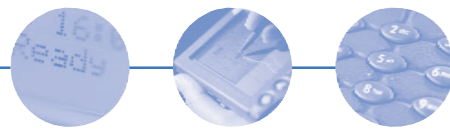
Save as disclosed above, as at 31st March, 2002, none of the directors, chief executives or any of their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Share Options

The Company's share option scheme (the "Scheme") was adopted on 15th September, 1997 for the primary purpose of providing incentives to the employees of the Group. Under the Scheme, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The maximum number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

HK\$1 shall be paid to the Company upon acceptance of the option. Option may be exercised at any time during the one-year period commencing on the date on which the option is accepted and expiring on the last day of the one-year period. The exercise price is determined by the directors of the Company, and will not be less than 80% of the average closing prices of the shares for the five business days immediately preceding the date of grant of the options or the nominal value of the shares, whichever is higher.



DIRECTORS' REPORT

Share Options *(Continued)*

There were no outstanding options granted under the Scheme at the beginning and at the end of the year. In addition, there were no options granted to, or exercised by, any eligible employees during the year.

Pursuant to a resolution passed at a special general meeting of the shareholders held on 15th July, 2002, the Company terminated the existing share option scheme and adopted the new share option scheme ("New Scheme").

The primary purpose of the New Scheme is to provide incentives to directors and eligible employees, and will remain in force for a period of 10 years commencing on the date on which the New Scheme becomes unconditional. Under the New Scheme, the Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to taken up options to subscribe for shares in the Company:

- (a) any employee, executive (including any executive director but excluding any independent non-executive directors and non-executive director), manager and consultant of the Company, any of its subsidiaries ("Subsidiary") or any entity ("Invested Entity") in which any member of the Group holds any equity interest;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any adviser (professional) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (h) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

DIRECTORS' REPORT

Share Options *(Continued)*

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of acceptance of the share option to the 10 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant, and the nominal value of the Company shares.

Directors' Rights to Acquire Shares or Debentures

As at 31st March, 2002, none of the directors of the Company had any personal interests in share options to subscribe for shares in the Company granted under the share option schemes of the Company.

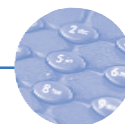
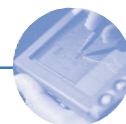
No share option was granted to, or exercised by, any directors during the year.

Save as disclosed above, 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. In addition, none of the directors, 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

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses that the following shareholders had an interest representing 10% or more of the issued share capital of the Company as at 31st March, 2002:

Name	Number of shares	Approximate percentage of issued shares held
Justwell Limited	280,700,000 <i>(Note)</i>	17.28%
United Man's Limited	280,700,000 <i>(Note)</i>	17.28%



DIRECTORS' REPORT

Substantial Shareholders (Continued)

Note:

These shares are registered in the name of United Man's Limited. The entire issued share capital of United Man's Limited is owned by Justwell Limited, the entire issued share capital of which is held by a trustee for the benefit of a discretionary trust, the beneficiaries of which include certain family members of Mr. Lai Yiu Keung and Madam Chung Lai Ha.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31st March, 2002.

Major Customers and Suppliers

For the year ended 31st March, 2002, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 41% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 26% of the Group's total turnover.

The Group's five largest suppliers accounted for less than 30% of the total purchases of the Group.

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

Convertible Securities, Options, Warrants or Similar Rights

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31st March, 2002.

Purchase, Sale or Redemption of the Company's Listed Shares

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

Pre-emptive Rights

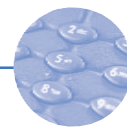
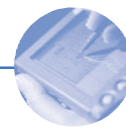
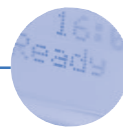
There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Code of Best Practice

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Post Balance Sheet Events

Details of the significant post balance sheet events are set out in note 47 to the financial statements.



DIRECTORS' REPORT

Auditors

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

On behalf of the Board

LAI YIU KEUNG

CHAIRMAN

Hong Kong, 27th August, 2002