



Report of the Directors

The board of directors (the “Board”) have pleasure in presenting their report and the audited financial statements for the year ended March 31, 2003.

Principal activities

The Company and its subsidiaries (the “Group”) are investments holding companies.

Segmental information

The Group's turnover and contribution to operating results were all derived from investments in listed and unlisted companies in Hong Kong.

Subsidiaries

Details of the Company's subsidiaries at March 31, 2003 are set out in note (12) to the financial statements.

Results and appropriations

The results of the Group for the year ended March 31, 2003 are set out in the consolidated income statement on page 19.

The Board consider it is more appropriate for the Company to retain the financial resources for investing as and when attractive investment opportunities arise. The Board have resolved not to recommend a payment of final dividend for the year.



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Share capital

Details of the movements in the Company's share capital during the year are set out in note (18) to the financial statements.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out below. This summary is not part of the audited financial statements.

RESULTS

	1/4/2002- 31/3/2003 HK\$'000	1/4/2001- 31/3/2002 HK\$'000	1/4/2000- 31/3/2001 HK\$'000	8/6/1999- 31/3/2000 HK\$'000
Turnover	<u>8,180</u>	<u>27,800</u>	<u>36,380</u>	<u>29,595</u>
(Loss) Profit before taxation	<u>(18,218)</u>	<u>14,055</u>	<u>(25,992)</u>	<u>17,384</u>
Taxation	<u>200</u>	<u>–</u>	<u>820</u>	<u>(2,642)</u>
Net (loss) profit attributable to shareholders	<u>(18,018)</u>	<u>14,055</u>	<u>(25,172)</u>	<u>14,742</u>

ASSETS AND LIABILITIES

	March 31			
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Total assets	<u>88,971</u>	<u>101,216</u>	<u>87,149</u>	<u>117,667</u>
Total liabilities	<u>(203)</u>	<u>(317)</u>	<u>(305)</u>	<u>(6,691)</u>
Net assets	<u>88,768</u>	<u>100,899</u>	<u>86,844</u>	<u>110,976</u>

Notes: The Company was incorporated in the Cayman Islands on November 4, 1999 and became the holding Company of the companies comprising the Group as a result of the group reorganisation on December 22, 1999. The financial results of the Group for the period from June 8, 1999 (date of incorporation of Super Idea International Limited, a then wholly-owned subsidiary of the Company after the group reorganization) to March 31, 2000 were prepared on the basis of merger accounting as if the Group structure had been in existence throughout the period presented.



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Reserves

Movements in the reserves of the Group and the Company during the year are set out in note (19) to the financial statements.

The Company's reserves available for distribution represent the share premium, contributed surplus and retained profits under the Companies Law of the Cayman Islands. The share premium of the Company is available for paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium, contributed surplus and retained profits of the Company which in aggregate amounted to approximately HK\$93,542,000 (2002: HK\$89,334,000) as at March 31, 2003.

Repurchase, sale and redemption of the Company's listed securities

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

Directors

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

EXECUTIVE DIRECTORS

Li Kwok Cheung, George
Chiu Sui Keung
Lin Wai Yan
Cheng Wai Lun, Andrew

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wong Wai Kwong, David
Lewis Hung Fung
Kwok Hong Yee, Jesse

In accordance with Article 157 of the Company's Articles of Association, Mr. Li Kwok Cheung, George, Ms. Lin Wai Yan and Dr. Lewis Hung Fung shall retire by rotation from office and, being eligible, offer themselves for re-election. All other directors continue in office.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.





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The term of office of each of the independent non-executive directors lasts until his retirement by rotation in accordance with the Company's Articles of Association.

Directors' interests in securities

As at March 31, 2003, the interests of the directors, chief executive or their associates in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) were as follows:

Name of director	Number of shares held as corporate interests
Cheng Wai Lun, Andrew (<i>Note</i>)	340,000,000

Note: Mr. Cheng Wai Lun, Andrew is one of the discretionary objects of a trust which assets include interests in the entire issued share capital of Fung Fai Growth Limited. Fung Fai Growth Limited holds 340,000,000 shares of the Company.

Save as disclosed above, as at March 31, 2003, none of the directors or chief executive or their associates had any personal, family, corporate or other interests in equity or debt securities of the Company or any of its associated corporations, and none of the directors or chief executive, nor their respective 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.

Directors' rights to acquire shares or debentures

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 executive of the Company or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.



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Substantial shareholders

As at March 31, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares held	Approximate percentage of the total number of shares in issue
Fung Fai Growth Limited (<i>Note (a)</i>)	340,000,000	32.08%
Kingswell Holdings Group Limited (<i>Note (b)</i>)	192,000,000	18.12%

Notes:

- (a) The entire issued share capital of Fung Fai Growth Limited is owned by a trust of which the discretionary objects are family members of Mr. Cheng Kai Ming, Charles, including a director of the Company, Mr. Cheng Wai Lun, Andrew.
- (b) The entire issued share capital of Kingswell Holdings Group Limited is beneficially owned by Mr. Janusz Mieczyslaw Stempnowski.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at March 31, 2003.

Connected transactions

Significant related party transactions entered by the Group during the year ended March 31, 2003 which also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are disclosed in note (22) to the financial statements.

The investment manager of the Company is regarded as a connected person of the Company under Chapter 21 of the Listing Rules. Accordingly, the investment management agreement constitutes a connected transaction of the Company.

The management fee paid during the year amounted to HK\$958,242. The transaction was entered into by the Company in the ordinary and usual course of business in accordance with the terms of the agreement, conducted on normal commercial terms and did not exceed the cap amount as prescribed in the waiver granted by the Stock Exchange. The transaction had been reviewed by the independent non-executive directors and received approval from the Company's board of directors.





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Directors' interests in contracts

In the opinion of the Board, there were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any 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.

Management contracts

Details of significant management contracts in relation to the Company's business are included in note (22)(a) to the financial statements.

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Memorandum and Articles of Association and the Companies Laws of the Cayman Islands.

Audit Committee

The Company has established an audit committee according to "A Guide for The Formation of an Audit Committee" published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee of the Group consists of three independent non-executive directors, namely Mr. Wong Wai Kwong, David, Dr. Lewis Hung Fung and Mr. Kwok Hong Yee, Jesse.



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Corporate governance

The Company has complied throughout the year ended March 31, 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, except that independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provision of the Company's bye-laws.

Auditors

Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, resigned as joint auditors of the Company on April 3, 2001 while Messrs. Chu and Chu, Certified Public Accountants, continued to act as auditors of the Company from that date.

Apart from the foregoing, there were no other changes in auditors of the Company in any of the preceding three years.

Messrs. Chu and Chu, Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Li Kwok Cheung, George
Executive Director

Hong Kong, May 20, 2003