

The Directors are pleased to present their annual report together with the audited accounts of Van Shung Chong Holdings Limited (“VSC” or the “Company”) and its subsidiaries (together the “VSC Group”) for the year ended 31st March 2003.

PRINCIPAL ACTIVITIES

VSC is an investment holding company and its subsidiaries are principally engaged in (i) China Advanced Materials Processing including manufacturing of industrial products such as rolled steel flat products and enclosure systems and trading of industrial products such as engineering plastic resins and injection moulding machines, and (ii) Construction Materials Group including trading and stockholding of construction materials such as steel products, sanitary ware and kitchen cabinets and the installation work of kitchen cabinets.

Details of the VSC Group’s turnover and segment result by business segment and geographical segment are set out in Note 34 to the accompanying accounts.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March 2003, the five largest customers of the VSC Group accounted for less than 30% of the VSC Group’s total turnover, while the five largest suppliers of the VSC Group accounted for approximately 34% of the VSC Group’s total purchases. In addition, the largest supplier of the VSC Group accounted for approximately 12% of the VSC Group’s total purchases.

None of the directors, their associates, or any shareholders (which to the knowledge of VSC’s Directors owned more than 5% of VSC’s share capital) had a beneficial interest in the five largest suppliers of the VSC Group.

RESULTS AND APPROPRIATIONS

Details of the VSC Group’s results for the year ended 31st March 2003 are set out in the consolidated profit and loss account on page 65 of this annual report.

VSC has not declared any interim dividend during the year and the Directors recommend the payment of a final cash dividend of HK\$0.058 per share. Total cash dividend paid and payable for the year ended 31st March 2003 will amount to HK\$0.058 per share or approximately HK\$18,111,000 (2002: HK\$9,230,000).

SHARE CAPITAL, WARRANTS AND EMPLOYEE SHARE OPTIONS

Details of share capital, warrants and employee share options of VSC are set out in Notes 29, 30 and 31, respectively, to the accompanying accounts.

RESERVES AND RETAINED PROFIT

Movements in reserves and retained profit of the VSC Group and VSC during the year are set out in Note 32 to the accompanying accounts.

As at 31st March 2003, approximately HK\$53,986,000 (2002: HK\$53,986,000) of VSC's reserves and approximately HK\$7,786,000 (2002: HK\$7,102,000) of VSC's retained profit were available for distribution to its shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES AND WARRANTS

During the year, VSC repurchased certain of its own shares by way of a voluntary cash offer, details of which are set out in Note 29 to the accompanying accounts.

The repurchases set out in Note 29 were made for the enhancement of the net asset value per share and earnings per share of VSC.

Details of movements during the year in the share capital of VSC are set out in Note 29 to the accompanying accounts.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under VSC's Bye-laws and the laws of Bermuda.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements of property, plant and equipment and investment properties during the year are set out in Notes 14 and 15, respectively, to the accompanying accounts.

SUBSIDIARIES AND ASSOCIATES

Particulars of VSC's subsidiaries and associates are set out in Notes 16 and 17, respectively, to the accompanying accounts.

BANK LOANS

Particulars of bank loans as at 31st March 2003 are set out in Notes 25 and 27 to the accompanying accounts.

PENSION SCHEMES

Details of the pension schemes are set out in Note 36 to the accompanying accounts.

CHARITABLE DONATIONS

During the year, the VSC Group made charitable donations of approximately HK\$520,000 (2002: HK\$69,000).

CONNECTED TRANSACTIONS

A sub-tenancy agreement dated 5th July 2000 (the “Sub-Tenancy Agreement”) was entered into between CFY Enterprises Limited (“CFY”), a wholly-owned subsidiary of the Company, and EC Investment Services Limited (formerly known as EC.com Limited) (“EC”), a company indirectly controlled by Mr. Tsang Kwok Tai, Moses, who was a former non-executive director of the Company and resigned on 17th August 2002 (the “Transaction”), in which CFY agreed to sub-lease to EC an office premise being a portion of 52nd Floor, The Center, 99 Queen’s Road Central, Hong Kong.

Pursuant to the waiver (the “Waiver”) dated 14th July 2000 granted by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Transaction has been reviewed by the independent non-executive directors of the Company. The independent non-executive directors of the Company have confirmed that (i) the Transaction has been conducted on normal commercial terms; (ii) the terms are fair and reasonable and in the best interests of the Company; (iii) the rental payable by EC under the Sub-Tenancy Agreement was agreed after arm’s length negotiation in light of the then current market conditions with reference to the advice obtained from an independent valuer; and (iv) the aggregate amount of the Transaction for the financial year ended 31st March 2003 of the Company did not exceed the higher of HK\$10 million or 3 per cent. of the book value of the net tangible assets of the VSC Group in this financial year.

The auditors of the Company have also confirmed that (i) the Transaction had received the approval of the Company’s board of directors including independent non-executive directors; and (ii) the Transaction was entered into in accordance with terms of the Sub-Tenancy Agreement governing the Transaction.

Moreover, on 14th May 2002, the Company entered into a contract to purchase through its wholly-owned subsidiary, Van Shung Chong (B.V.I.) Limited (“VSC (BVI)”), 22,976,000 ordinary shares (“iSteelAsia Shares”) of HK\$0.10 each in the share capital of iSteelAsia.com Limited (“iSteelAsia”), representing approximately 1.47% of the then total issued share capital of iSteelAsia, from a subsidiary of iMerchants Group Limited (“iMerchants Group”), Grand Bridge Enterprises Limited (“Grand Bridge”), for a total consideration of HK\$2,297,600. The consideration was settled by way of a transfer of 11,488,000 ordinary shares (“iMerchants Shares”) of HK\$0.10 each in the share capital of iMerchants Limited (“iMerchants”), representing approximately 0.99% of the then total issued share capital of iMerchants, from VSC (BVI) to iMerchants Group, being the controlling shareholder of iMerchants.

The acquisition of the iSteelAsia Shares (the “Acquisition”) was for a total consideration of HK\$2,297,600. The consideration was settled between VSC (BVI) and Grand Bridge by way of a transfer of the iMerchants Shares from VSC (BVI) to iMerchants Group, being the controlling shareholder of iMerchants.

CONNECTED TRANSACTIONS (Cont'd)

The consideration was determined after arm's length negotiations and agreed between VSC (BVI) and Grand Bridge to be HK\$0.10 for each share in iSteelAsia and HK\$0.20 for each share in iMerchants. Such consideration was with reference to the then share performance of iSteelAsia and iMerchants.

Huge Top Industrial Ltd. ("Huge Top") held approximately 57.64% of the then total issued share capital of the Company and was a controlling shareholder and hence, a connected person, of the Company. Huge Top also held approximately 10.21% of the then total issued share capital of iSteelAsia and was a substantial shareholder of iSteelAsia.

As the Acquisition involved an acquisition by the Company of interests in iSteelAsia, a substantial shareholder of which (i.e., Huge Top) was the controlling shareholder of the Company. Therefore, the Acquisition constituted a connected transaction for the Company pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Directors believed that a more consolidated and focused deployment of resources to areas of its core competence was beneficial to the Company. The Directors also believed that the Acquisition would enhance and consolidate the Company's ownership in iSteelAsia and the Company decided to dispose of its shareholdings in iMerchants to consolidate its investments. The Directors, including the independent non-executive Directors, considered that the Acquisition to be fair and reasonable so far as the Company and its shareholders are concerned, and that the Acquisition is in the commercial interests of the Company.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Yao Shu Sheng, <i>Honorary Chairman</i>	(Resigned on 17th August 2002)
Mr. Yao Cho Fai, Andrew, <i>Chairman and CEO</i>	
Ms. Yao Che Li, Miriam, <i>Deputy Chairman</i>	
Mr. Dong Yuen Jih	(Resigned on 17th August 2002)
Mr. Ho Sai Hou, Johnson	
Mr. Dong Sai Ming, Fernando	(Appointed on 17th August 2002)
Mr. Shih Tar Ping, Edward	(Appointed on 17th August 2002 and resigned on 10th February 2003)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Cont'd)

Non-executive directors

Dr. Chow Yei Ching

Dr. Shao You Bao

Mr. Ting Woo Shou, Kenneth

Mr. Harold Richard Kahler

(Appointed on 24th September 2002)

Mr. Tsang Kwok Tai, Moses

(Resigned on 17th August 2002)

In accordance with VSC's Bye-laws 86(2) and 87(1), Mr. Dong Sai Ming, Fernando, Mr. Harold Richard Kahler and Mr. Ho Sai Hou, Johnson will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors has a service contract with the VSC Group which is not determinable by the VSC Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

As at 31st March 2003, the interests of directors and their respective associates in the shares of HK\$0.10 each in the capital of VSC ("Shares") as recorded in the register maintained by VSC under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to VSC and the Stock Exchange, were as follows:

Name	Number of Shares	Number of Warrants (Note a)
Mr. Yao Cho Fai, Andrew (Note b)	204,624,000	—
Ms. Yao Che Li, Miriam (Note b)	204,624,000	—
Mr. Dong Sai Ming, Fernando (Note c)	791,811	124,200
Mr. Ho Sai Hou, Johnson (Note d)	307,894	46,640
Dr. Shao You Bao (Notes e and f)	254,110	120,000
Mr. Ting Woo Shou, Kenneth (Note g)	2,402,000	240,200

DIRECTORS' INTERESTS IN SHARES AND WARRANTS (Cont'd)

Notes:

- a. The warrants ("Warrants") of VSC conferred rights to subscribe in cash for Shares, on the basis of a subscription price of HK\$1.18 per Share (subject to adjustment) during the period from 19th November 2001 to 18th November 2004 (both dates inclusive).
- b. As at 31st March 2003, Huge Top held 204,624,000 Shares of VSC. The board of directors of Huge Top only comprises Mr. Yao Cho Fai, Andrew and Ms. Yao Che Li, Miriam, who are also VSC's Directors. Mr. Yao Cho Fai, Andrew directly and indirectly through Perfect Capital International Corp. owned more than one-third of the issued shares of Huge Top and is entitled to exercise more than one-third of the voting power at general meetings of Huge Top. The interests of the aforesaid Directors in the issued Shares of VSC were corporate interests in VSC as described in Practice Note 5 of the Listing Rules.
- c. Mr. Dong Sai Ming, Fernando held 791,811 Shares and 124,200 Warrants of VSC. These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.
- d. Mr. Ho Sai Hou, Johnson held 307,894 Shares and 46,640 Warrants of VSC. These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.
- e. Dr. Shao You Bao held 254,110 Shares and 60,000 Warrants of VSC. These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.
- f. Ms. Hsu Chi Kung, wife of Dr. Shao You Bao, held 60,000 Warrants of VSC. The interests of Dr. Shao You Bao in these Warrants were family interests in VSC as described in Practice Note 5 of the Listing Rules.
- g. Mr. Ting Woo Shou, Kenneth held 2,402,000 Shares and 240,200 Warrants of VSC. These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.

The interests of the directors in the share options of VSC are separately disclosed in the section "Information on Share Option Scheme" below.

Other than disclosed herein, as at 31st March 2003, neither the Directors nor their associates had any interests in any Shares of VSC (within the meaning of the SDI Ordinance) which were required to be notified to VSC pursuant to Section 28 of the SDI Ordinance or which were required to be recorded under Section 29 of the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the section "Directors' Interests in Shares and Warrants" above and the section "Information on Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of VSC granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was VSC, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTOR'S INTEREST IN CONTRACTS

Save as disclosed in Note 3 to the accompanying accounts, no contracts of significance in relation to the VSC Group's business to which VSC or any of its subsidiaries was a party and in which any of VSC's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDER

As at 31st March 2003, according to the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, VSC had been notified of the following interest (other than those interests of Directors disclosed above), being 10% or more of the issued share capital of VSC:

Name	Number of issued Shares	Shareholding percentage	Number of Warrants
Huge Top Industrial Ltd.	204,624,000	65.53%	—

Save as disclosed above, VSC had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 31st March 2003.

INFORMATION ON SHARE OPTION SCHEME

A new share option scheme has been adopted by VSC since 12th November 2001 (the “New Share Option Scheme”) to replace a share option scheme which had been adopted on 22nd January 1994 (the “Old Share Option Scheme”) to comply with the current statutory requirements. VSC may grant options to the participants as set out in the New Share Option Scheme. Summary of the Old Share Option Scheme and the New Share Option Scheme was as follows:

	Old Share Option Scheme	New Share Option Scheme
1. Purpose of the Old and New Share Option Schemes	As an incentive to employees.	To provide incentives to participants to contribute to the VSC Group and/or to enable the VSC Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the VSC Group.
2. Participants of the Old and New Share Option Schemes	Directors and/or executives and/or employees of the Company or its subsidiaries.	Employee/agent/consultant or representative, including any executive or non-executive director, of any member of the VSC Group or any other person who satisfies the selection criteria as set out in the New Share Option Scheme.

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

	Old Share Option Scheme	New Share Option Scheme
3. Total number of Shares available for issue under the Old and New Share Option Schemes and percentage of issued share capital as at the date of the annual report	<p>14,400,000 Shares (approximately 4.6% of issued share capital), being the outstanding options unexercised as at the date of the annual report.</p> <p>The maximum number of Shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Old Share Option Scheme and any other scheme involving the issue or grant of options over Shares or other securities of the Company may not exceed such number of Shares as shall represent 10% of the issued shares capital of the Company from time to time, excluding for this purpose Shares issued upon the exercise of options granted pursuant to the Old Share Option Scheme.</p>	<p>The Company may initially grant options representing 35,497,818 Shares under the New Share Option Scheme (i.e. approximately 10% of the issued share capital of the Company as at the date of the approval of the New Share Option Scheme and approximately 11.4% of the issued share capital of the Company as at the date of the annual report).</p> <p>The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company and/or its subsidiary (including the Old Share Option Scheme) must not exceed 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company or its subsidiary if this would result in the 30% limit being exceeded.</p>

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

	Old Share Option Scheme	New Share Option Scheme
4. Maximum entitlement of each participant under the Old and New Share Option Schemes	25% of the aggregate number of Shares for the time being issued and issuable under the Old Share Option Scheme.	The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) within any twelve-month period under the New Share Option Scheme and any other share option scheme(s) of the Company and/or any subsidiary must not exceed 1% of the number of Shares in issue.
5. The period within which the Shares must be taken up under an option	At any time during a period to be determined and notified by the Directors, which period may commence on the date of grant of an option but shall end in any event not later than ten years from the date of adoption of the Old Share Option Scheme.	Must not be more than ten years from the date of offer of grant of the option.
6. The minimum period for which an option must be held before it can be exercised	No such minimum period specified under the Old Share Option Scheme but the Directors can grant options at terms and conditions as they may think fit to offer.	No such minimum period specified and an option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board of Directors to each grantee.
7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10 is to be paid as consideration for the grant of option and the option shall be accepted within 28 days from the date of grant or such longer or shorter periods as the Directors may determine.	The acceptance of an option, if accepted, must be made within 28 days from the date on which the offer is made with a non-refundable payment of HK\$10 from the grantee to the Company.

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

	Old Share Option Scheme	New Share Option Scheme
8. The basis of determining the exercise price	<p>The exercise price is determined by the Directors and being not less than the higher of:</p> <ul style="list-style-type: none"> a. 80% of the average closing price of the Shares quoted on the Stock Exchange on the five trading days immediately preceding the date of grant of an option, and b. the nominal value of the Shares. 	<p>The exercise price of an option will be at least the highest of:</p> <ul style="list-style-type: none"> a. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of the option, which must be a business day, b. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant of the option, and c. the nominal value of the Shares.
9. The remaining life of the Old and New Share Option Schemes	<p>The Old Share Option Scheme was adopted on 22nd January 1994 and was originally effective until 22nd January 2004. On 12th November 2001, the Old Share Option Scheme was resolved by the shareholders of the Company to have been terminated thereon.</p>	<p>The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date i.e. 12th November 2001.</p>

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

The Old Share Option Scheme was terminated on 12th November 2001. Upon termination of the Old Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Old Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. The employee share options outstanding under the Old Share Option Scheme and the New Share Option Scheme during the period were as follows:

Old Share Option Scheme

					Number of share options		
Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price per Share	Beginning	Lapsed	End
					of year '000	during the year '000	of year '000
Directors:—							
Mr. Yao Cho Fai, Andrew	17th December 1994	17th December 1994 to 14th January 1997	15th January 1997 to 15th January 2004	HK\$1.1344	2,000	—	2,000
	18th January 1996	18th January 1996 to 14th January 1997	15th January 1997 to 15th January 2004	HK\$1.2528	2,000	—	2,000
	18th March 1996	18th March 1996 to 30th April 1998	1st May 1998 to 22nd January 2004	HK\$1.3840	2,900	—	2,900
Ms. Yao Che Li, Miriam	17th December 1994	17th December 1994 to 14th January 1997	15th January 1997 to 15th January 2004	HK\$1.1344	2,000	—	2,000
Mr. Ho Sai Hou, Johnson	17th December 1994	17th December 1994 to 14th January 1997	15th January 1997 to 15th January 2004	HK\$1.1344	500	—	500
	18th March 1996	18th March 1996 to 30th April 1998	1st May 1998 to 22nd January 2004	HK\$1.3840	400	—	400
Sub-total					9,800	—	9,800
Employees:—							
In aggregate	3rd March 1994	3rd March 1994 to 31st March 1996	1st April 1996 to 31st March 2003	HK\$0.9360	6,000	(6,000)	—
In aggregate	17th December 1994	17th December 1994 to 14th January 1997	15th January 1997 to 15th January 2004	HK\$1.1344	2,000	—	2,000
In aggregate	18th January 1996	18th January 1996 to 14th January 1997	15th January 1997 to 15th January 2004	HK\$1.2528	2,000	—	2,000
In aggregate	10th January 2000	10th January 2000 to 31st January 2002	1st February 2002 to 22nd January 2004	HK\$1.6880	1,100	(200)	900
Sub-total					11,100	(6,200)	4,900
Total of Old Share Option Scheme					20,900	(6,200)	14,700

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

New Share Option Scheme

Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price per Share	Closing price before grant*	Number of share options			
						Beginning of year	Granted during the year	Exercised during the year	End of year
						'000	'000	'000	'000
Employees:-									
In aggregate	10th September 2002	N/A	10th September 2002 to 9th September 2012	HK\$0.400	HK\$0.305	—	4,000	(4,000)	—
In aggregate	30th September 2002	N/A	30th September 2002 to 29th September 2012	HK\$0.390	HK\$0.340	—	6,500	(6,500)	—
Sub-total						—	10,500	(10,500)	—
Total of New Share Option Scheme						—	10,500	(10,500)	—

* The closing price of the Shares on the Stock Exchange of the trading date immediately before the grant of the options.

The weighted average closing price in respect of the share options exercised during the year was approximately HK\$0.5050 per Share.

For the share options held by the Directors as disclosed in above table, these interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled during the year.

Under the present capital structure of the Company, the exercise in full of the share options under the New Share Option Scheme had resulted in the issue of 10,500,000 additional ordinary shares of the Company and additional share capital of HK\$1,050,000 and share premium of HK\$3,085,000 (before issue expenses).

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

The Directors consider that it is not appropriate to state the value of the share options granted pursuant to the New Share Option Scheme during the year to the employees. The Directors believe that any statement regarding the value of the options will not be meaningful to the shareholders, taking into account the diversified nature of the businesses of the VSC Group (i.e., ranging from (i) China Advanced Materials Processing including manufacturing of industrial products such as rolled steel flat products and enclosure systems and trading of industrial products such as engineering plastic resins and injection moulding machines, and (ii) Construction Materials Group including trading and stockholding of construction materials such as steel products, sanitary ware and kitchen cabinets and the installation work of kitchen cabinets) and the fact that comparable data required for calculation of the value of the options and the weighing of each of such data may not be representative of the diversified nature of the businesses of the VSC Group.

CODE OF BEST PRACTICE

None of the directors of VSC is aware of any information which would indicate that the VSC Group is not, or was not, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Listing Rules at any time during the accounting year covered by the annual report, except that the non-executive directors of VSC are not appointed for specific terms. However, the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with VSC's Bye-laws. In the opinion of the directors, this meets the objective of the Code.

AUDIT COMMITTEE

In compliance with the requirements set by the Stock Exchange, the VSC Group set up its Audit Committee in December 1998. The Committee consists of three non-executive directors, Mr. Ting Woo Shou, Kenneth as Chairman and Dr. Chow Yei Ching and Dr. Shao You Bao as members. Scope of the work of the Audit Committee is defined and approved by the Board in relation to various internal control and audit issues with a view to further improving our corporate governance. These audited consolidated accounts for the year ended 31st March 2003 of VSC now reported on have been reviewed by the Audit Committee.

AUDITORS

The accompanying accounts were audited by PricewaterhouseCoopers. A resolution for the appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors,

Yao Cho Fai, Andrew

Chairman

Hong Kong, 10th June 2003