

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 11, 13 and 14 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 21.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 70.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$11,556,000 on the acquisition of property, plant and equipment to expand the Group's production facilities.

The leasehold land and buildings of the Group were revalued on 31 March 2003. The revaluation resulted in a net surplus over book values of HK\$541,000 which has been credited directly to the asset revaluation reserve.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of changes during the year in the share capital of the Company are set out in note 25 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:

Mr. Chau Lai Him (*Chairman and Managing Director*)

Mr. Zhou Jin Hua

Mr. Lau Man Tak

Mr. Szeto Chak Wah (appointed on 2 May 2002 and resigned on 10 July 2003)

Mr. Liu Jin Rong (appointed on 6 December 2002)

Mr. Yeung Kam Tung (resigned on 6 December 2002)

Independent non-executive directors:

Mr. Lo Kao Cheng

Mr. Lo Wai Ming

Mr. Chung Kam Kwong (appointed on 1 March 2003)

Mr. Wong Chi Pang, Panny (resigned on 1 March 2003)

Except for the Chairman, all directors are subject to retirement by rotation.

In accordance with Clause 87(1) and Clause 86(2) of the Company's Bye-Laws, Messrs. Liu Jin Rong, Chung Kam Kwong and Lo Wai Ming shall retire and, being eligible, offer themselves for re-election. The other directors continue in office.

Independent non-executive directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the directors 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.

DIRECTORS' INTERESTS IN SECURITIES

(i) Shares

At 31 March 2003, the interests of the directors and their associates in the share capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("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. Chau Lai Him	Personal	2,052,000
	Other (Note)	53,700,000

Note: These shares are held by Chau's Family 1996 Limited which is wholly owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau Lai Him is a discretionary object.

Other than as disclosed above, none of the directors or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 March 2003.

(ii) Share options

The Company's share option scheme (the "1996 share option scheme") adopted in 1996 was terminated during the year. A new share option scheme of the Company has been adopted on 16 September 2002. Particulars of these share option schemes are set out in note 34 to the financial statements.

The following table discloses movements in the Company's share options under the 1996 share option scheme during the year:

					Number of share options				
Capacity	Name of director	Date of grant	Exercisable period	Exercise price HK\$	Cancelled from		Cancelled from		Outstanding at 31.3.2003
					Outstanding at 1.4.2002	1.4.2002 to 16.9.2002	Adjusted on 17.9.2002 (Note)	18.9.2002 to 31.3.2003	
Director	Mr. Zhou Jin Hua	5 October 2000	5 April 2001 to 4 April 2003	1.50	285,000,000 –	– –	(285,000,000) 2,850,000	– –	– 2,850,000
Director	Mr. Yeung Kam Tung (resigned on 6 December 2002)	5 October 2000	5 April 2001 to 4 April 2003	1.50	100,000,000 –	– –	(100,000,000) 1,000,000	– (1,000,000)	– –
					385,000,000	–	(381,150,000)	(1,000,000)	2,850,000

DIRECTORS' INTERESTS IN SECURITIES (continued)

(ii) Share options (continued)

Note: As described more fully in note 25 to the financial statements, the Company undertook a capital reorganisation in September 2002. The then outstanding number of share options and their subscription prices had been adjusted accordingly.

No options have been granted under the new share option scheme since its adoption.

Other than as disclosed above, none of the directors or their associates had any right to subscribe for securities of the Company, or had exercised any such right during the year, and 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract 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 the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest of 10% or more in the issued share capital of the Company as at 31 March 2003.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2003, the five largest customers of the Group together accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 46% by value of the Group's total purchases during the year, with the largest supplier accounted for 33%.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 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 of Hong Kong Limited.

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

Chau Lai Him

Chairman

11 July 2003