

DIRECTORS' REPORT

The directors present their first report and the audited financial statements of the Company for the period from 5 March 2002 (date of incorporation) to 31 March 2003 and of the Group for the year ended 31 March 2003.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda. Pursuant to a scheme of arrangement sanctioned by the Supreme Court of Bermuda which became effective on 26 August 2002, the Company issued its shares to the shareholders of Dransfield Holdings Limited ("Dransfield"), the then ultimate holding company of the Group, in exchange for the entire issued share capital of Dransfield. Dransfield then became a wholly owned subsidiary of the Company which became the holding company of the companies now comprising the Group (the "Group Reorganisation").

Dealings in the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") commenced on 28 August 2002 whilst the listing status of Dransfield was withdrawn on 27 August 2002. Details of the Group Reorganisation were set out in a circular issued by Dransfield dated 28 June 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 26.

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

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors of the Company reviewed the carrying value of certain of the Group's property, plant and equipment at 31 March 2003. The revaluation resulted in a surplus over book values amounting to HK\$26,840,000, which has been credited directly to the income statement to reverse the impairment losses recognised in prior years.

The investment properties of the Group were revalued on 31 March 2003 by an independent firm of professional property valuers on an open market value basis, and the resulting surplus on revaluation of these properties amounting to HK\$105,000 has been credited directly to the income statement to reverse the deficit recognised in prior years.

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 12 and 13 to the financial statements, respectively.

SHARE CAPITAL AND WARRANTS

Details of movements during the period in the share capital and outstanding warrants of the Company are set out in notes 24 and 25 to the financial statements, respectively.

DIRECTORS

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

Executive directors:

Fan Di	(appointed on 25 March 2002)
Li Xinggui	(appointed on 26 August 2002)
Wu Shiyue	(appointed on 26 August 2002)
Zheng Yingsheung	(appointed on 27 March 2003)
Zhu Xiaojun	(appointed on 27 March 2003)
Gordon Chen Gang	(appointed on 25 March 2002 and resigned on 17 March 2003)

Non-executive directors:

Wang Shizhen	(appointed on 26 August 2002)
Robert Fung Hing Piu	(appointed on 26 August 2002 as an executive director and redesignated as a non-executive director on 25 October 2002)

Independent non-executive directors:

Iain Ferguson Bruce	(appointed on 26 August 2002)
Barry John Buttifant	(appointed on 26 August 2002)

In accordance with clause 86(2) of the Company's Bye-Laws, all remaining directors will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of Gordon Chen Gang and Wu Shiyue has entered into a service agreement with the Company for an initial period of one year commencing 28 August 2002, and each of Fan Di and Zhu Xiaojun has entered into a service agreement with the Company for an initial period of one year commencing 1 April 2003, which will continue thereafter until terminated by either party by three months' prior written notice. Gordon Chen Gang resigned as director of the Company on 17 March 2003 and his service agreement was terminated simultaneously.

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

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DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2003, the interests of the directors and their associates in the share capital of the Company and its associated corporations within the meaning of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and to the Stock Exchange pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") referred to therein were as follows:

Name of director	Number of shares			Total interests
	Personal interests	Corporate interests	Other interests	
Fan Di (<i>Note 1</i>)	–	2,682,515,000	–	2,682,515,000
Robert Fung Hing Piu (<i>Note 2</i>)	78,325,437	–	63,604,530	141,929,967

Notes:

- 182,515,000 shares in the issued share capital of the Company are held by Farsight Holdings Limited ("Farsight") and 2,500,000,000 shares are held by DiChain Holdings Limited (formerly known as DiChain System Limited) ("DiChain Holdings"). Fan Di is beneficially interested in the voting shares of Farsight and is deemed to be interested in more than one-third of the voting shares of DiChain Holdings and Fan Di is therefore deemed to have an interest in these shares of the Company.
- Robert Fung Hing Piu directly holds 78,325,437 shares in the Company. A charitable foundation, namely Sir Kenneth Fung Ping Fan Foundation Trust I, on 15 January 2003 acquired the interest of 63,604,530 shares in the Company and Robert Fung Hing Piu is one of the trustees of the foundation.

Save as disclosed above, none of the directors nor their associates had any interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Details of the share option schemes of the Company and Dransfield Holdings Limited, the Company's subsidiary, in which the directors of the Company are entitled to participate, are set out in note 34 to the financial statements.

Save as disclosed above, at no time during the period was the Company, any of its holding company, fellow subsidiaries or 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, and none of the directors, 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 period.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No 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 the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 10% or more in the share capital of the Company:

Name	Number of shares held	Approximate percentage of shareholding
Farsight (<i>Note</i>)	2,682,515,000	59.13%
DiChain Holdings	2,500,000,000	55.11%

Note: Farsight is interested in more than one-third of the voting shares of DiChain Holdings and is deemed by the SDI Ordinance to be interested in the 2,500,000,000 shares in the issued share capital of the Company beneficially owned by DiChain Holdings.

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

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.

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

During the period, there was no purchase, sale or redemption of the shares in the Company by the Company or any of its subsidiaries.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the total turnover and purchases of the Group for the year.

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CORPORATE GOVERNANCE

The Company has complied in the period between its listing date and 31 March 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company at the time of its incorporation on 5 March 2002. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

On behalf of the Board

Fan Di

CHAIRMAN

21 July 2003