

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consisted of investment holding, properties trading, iron ores and steel trading, trading of leather materials and the manufacture, trading and distribution of consumer products including leather and non-leather garments and leatherware products.

The iron ores and steel trading was new business acquired by the Group during the year.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 16 to 50.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the results of the Group for the last five financial reporting years and of its assets and liabilities at the respective financial reporting year end dates, as extracted from the published audited financial statements of the Group, except that the results of the Group for the year ended 31 March 1999 and its assets and liabilities at 31 March 1999 have been restated as a result of the change in accounting policy for deferred business development costs during the year ended 31 March 2000.

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RESULTS

	Year ended 31 March				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	140,245	170,517	143,575	118,703	160,415
LOSS AFTER FINANCE COSTS	(10,850)	(33,594)	(41,634)	(66,438)	(175,232)
Share of losses less profits of associates	(1,001)	(1,090)	(204)	–	1,569
LOSS BEFORE TAX	(11,851)	(34,684)	(41,838)	(66,438)	(173,663)
Tax	(197)	(262)	–	2	57
LOSS BEFORE MINORITY INTERESTS	(12,048)	(34,946)	(41,838)	(66,436)	(173,606)
Minority interests	(2,431)	(2,658)	7	–	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	(14,479)	(37,604)	(41,831)	(66,436)	(173,606)

ASSETS AND LIABILITIES

	As at 31 March				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	64,420	36,130	65,297	23,503	37,295
CURRENT ASSETS	67,647	138,724	145,892	111,277	110,253
TOTAL ASSETS	132,067	174,854	211,189	134,780	147,548
CURRENT LIABILITIES	(21,905)	(54,136)	(58,004)	(41,634)	(57,645)
NON-CURRENT LIABILITY	–	–	(3,005)	(3,193)	(3,372)
TOTAL LIABILITIES	(21,905)	(54,136)	(61,009)	(44,827)	(61,017)
MINORITY INTERESTS	(12,065)	(8,142)	–	–	–
NET ASSETS	98,097	112,576	150,180	89,953	86,531

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FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group are set out in note 11 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in note 12 and 14 to the financial statements, respectively.

BORROWINGS

As at 31 March 2003, the Group had short term bank loan amounting to HK\$192,000 (2002: Nil).

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year and subsequent to the balance sheet date, together with the reasons therefor, are set out in note 19 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 20 to the financial statements. Details of movements in the reserves of the Group during the year are presented in the consolidated statement of changes in equity on page 18 of the financial statements.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company had no retained profits available for distribution. The Company's share premium account of HK\$285,618,000 as at 31 March 2003 may be distributed in the form of fully paid bonus shares. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company in the amount of HK\$172,576,000 as at 31 March 2003 is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

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MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total
Sales	
– the largest customer	20%
– five largest customers combined	72%
Purchases	
– the largest supplier	22%
– five largest suppliers combined	57%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Cheung Ngan

Mr. Chan Chung Chun, Arnold

Independent non-executive directors

Mr. Li Chao De

Mr. Zhao Hong

In accordance with bye-law 111 of the Company's bye-laws, Mr. Li Chao De will retire by rotation, and being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Independent non-executive directors are not appointed for specific terms as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's bye-laws.

REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' remuneration and that of the five highest paid individuals in the Group are set out in notes 5 and 6 to the financial statements, respectively.

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DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms of the Company's share option scheme approved by the shareholders on 23 April 1996, the directors may, at their discretion, invite any full-time employees of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The scheme became effective on 24 May 1996. Details of the share option scheme are set out in note 19 to the financial statements.

There were no new share options granted to directors during the year. None of the share options granted to the directors in prior years were exercised during the year. The number of share options granted to the directors which remained outstanding at the balance sheet date was as follows:

Director	Number of options granted
Mr. Chan Chung Chun, Arnold	30,029,400

The above share options were granted on 27 June 1997 and are exercisable on or before 26 June 2007 at a price of HK\$0.537 per share.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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DIRECTORS' INTERESTS IN SHARE CAPITAL

At the balance sheet date, the interests of the directors and their associates in the share capital of the Company and the shares of its associated corporations as required to be recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") and the Model Code for dealing in securities prescribed by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below:

Interests in the Company's shares:

	Personal interests	
	Number of shares	Number of options
Director		
Mr. Cheung Ngan	3,068,315,437 (<i>Note</i>)	–
Mr. Chan Chung Chun, Arnold	–	30,029,400

Note: being 17.4% of the Company's issued share capital as at the balance sheet date

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other beneficial interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed in "Directors' interests in share capital" above in respect of Mr. Cheung Ngan's interest in the share capital of the Company, no person had registered an interest amounting to 10% or more of the issued share capital of the Company at the balance sheet date pursuant to Section 16(1) of the SDI Ordinance.

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BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Cheung Ngan	46	Chairman, Director	5	Joined the Group in March 1998 and is responsible for the development of corporate strategies, corporate planning, marketing and management functions of the Group. He has over nineteen years' working experience in corporate management and knowledge of PRC investments.
Mr. Chan Chung Chun, Arnold	43	Deputy Chairman, Director	8	Joined the Group in April 1995 and is responsible for general corporate investment and the financial advisory functions of the Group. He has extensive working experience in accountancy and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC.
Mr. Li Chao De	42	Non-Executive Director	4	Is a Professor in the Arts Faculty of Suzhou University. He holds a Bachelor's degree in Arts from Suzhou University of Technology. He has over eighteen years' experience in Arts & Design.
Mr. Zhao Hong	43	Non-Executive Director	3	Is presently the Deputy Chief Executive of CITIC Industrial Bank, Tianjin Branch. He graduated from Tianjin Financial and Economic College and has nearly twenty one years' experience in the banking industry.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provision of the Company's bye-laws.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with the requirements of the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Audit Committee, which comprises two independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters that covered the full financial year ended 31 March 2003.

AUDITORS

Johnny Chan & Co. Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheung Ngan

Chairman

Hong Kong
25 July 2003