

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 March 31, 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the principal subsidiaries and an associate are set out in notes 35 and 36 to the financial statements, respectively.

RESULTS

Details of the Group's results for the year ended March 31, 2003 are set out in the consolidated income statement on page 19 of the annual report.

SHARE CAPITAL

Details of movements in the issued share capital of the Company during the year are set out in note 22 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 22 and note 24 to the financial statements, respectively.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at March 31, 2003 on an open market value basis. A deficit arising on revaluation amounting to HK\$79,600,000 has been charged to the income statement.

Details of these and movements in the investment properties during the year are set out in note 12 to the financial statements.

Particulars of the major properties of the Group at March 31, 2003 are set out on page 57 of the annual report.

TANGIBLE FIXED ASSETS

Details of movements in tangible fixed assets during the year are set out in note 13 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the largest and the five largest customers accounted for 65% and 71% respectively, of the Group's total turnover. The five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors, their respective associates, nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 38 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive directors:

Mr. Chan Fook Lai – *Honorary Chairman*
 Mr. Chu Yu Lin, David – *Chairman*
 Mr. Song Yu Qing – *Deputy Chairman and Chief Executive Officer* (appointed as Chief Executive Officer on August 16, 2002)
 Mr. Lu Xin – *Deputy Chairman and Managing Director*
 Mr. Chan King Hung
 Mrs. Chu Ho Miu Hing
 Ms. Chen Hao (appointed as director on August 16, 2002)
 Mr. Lei Yonglang (appointed as director on August 16, 2002)
 Mr. Bao Guanghe – *Managing Director* (retired as director and ceased to be Managing Director on August 26, 2002)

Non-executive director:

Mr. Tsai Chuen Tak, John (appointed on August 26, 2002)

Independent non-executive directors:

Mr. Tang Tin Sek
 Mr. Ko Ming Tung, Edward
 Mr. Chung Chi Chiu

In accordance with Clause 87 of the Company's Bye-laws, Messrs. Chan Fook Lai, Chan King Hung and Chung Chi Chiu retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Chan Fook Lai, Mr. Chan King Hung and Mr. Chu Yu Lin, David has entered into a service contract with the Company on December 28, 2000 which will continue unless and until terminated by either party.

The non-executive directors have been appointed for a term subject to retirement by rotation in accordance with the Company's Bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES**(i) Shares**

At March 31, 2003, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of directors	Number of ordinary shares held			Notes
	Personal interests	Family interests	Corporate interests	
Mr. Chu Yu Lin, David	676,353,930	241,425,668	152,000,000	1
Mrs. Chu Ho Miu Hing	241,425,668	828,353,930	-	2
Mr. Chan King Hung	5,000,000	-	-	

Notes:

- 152,000,000 shares are held by Quizzical Holdings Limited, a company which is 50% owned by Weinberg Group Limited, and 50% owned by Hunter Valley Group Limited. Hunter Valley Group Limited is 100% owned by Manta Corporation, a company holding such shares as trustee on trust for The Manta Trust, a discretionary trust, the eligible beneficiaries of which include Mr. Chu Yu Lin, David and his present children.

The family interests of 241,425,668 shares represents the interest of Mrs. Chu Ho Miu Hing, the wife of Mr. Chu Yu Lin, David.

- The family interests of 828,353,930 shares represents the interests of Mr. Chu Yu Lin, David, the husband of Mrs. Chu Ho Miu Hing.

As at March 31, 2003, Mr. Chu Yu Lin, David was interested in 103 convertible redeemable non-voting preference shares which are convertible into ordinary shares of the Company at an initial conversion price equal to the lower of (i) HK\$0.40 and (ii) the average of the 10 lowest daily closing prices per share on the Stock Exchange during the 30 days immediately prior to the date of issue of the conversion notice (subject to adjustment).

DIRECTORS' REPORT

(ii) Shares in a subsidiary

The personal beneficial interests of the directors in the non-voting deferred shares of the Company's subsidiaries as at March 31, 2003 were as follows:

Name of subsidiary	Name of director	Number of non-voting deferred shares
Calorie Limited	Mr. Chu Yu Lin, David	20

The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of Calorie Limited or to participate in any distributions on winding up.

Save as disclosed above and other than the nominee shares in subsidiaries held by a director in trust for the subsidiaries, at March 31, 2003, none of the directors and their associates had any interests in any securities of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance.

SHARE OPTION SCHEME

Pursuant to a shareholders' resolution passed on August 26, 2002, the share option scheme of the Company ("Old Share Option Scheme"), which was approved by its shareholders on September 11, 1996 enabling the board of directors of the Company to grant options to eligible employees, including executive directors of the Company and/or its subsidiaries to subscribe for shares in the Company was terminated.

The Old Share Option Scheme was adopted pursuant to a resolution passed on September 11, 1996 for the primary purpose of providing incentives to directors and eligible employees and will expire on September 10, 2006. Under the scheme, the board of directors of the Company may, at its discretion, grant option shares to eligible employees, including executive directors of the Company or any of its subsidiaries to subscribe for shares in the Company. Option shares granted, if taken up, must be taken up within 28 days from the date of grant, upon payment of HK\$1 per option. Option shares may be exercised at any time from six months from the date of acceptance of the grant of the option shares to the third anniversary of the date of acceptance of the grant. The exercise price is determined by the directors of the Company and at a price equal to the higher of the nominal value of the shares and at a price not less than 80% of the average of the closing price of the shares on the Stock Exchange for the five trading days immediate preceding the date of grant of the option shares. The maximum number of shares in respect of which option shares may be granted under the scheme shall not exceed 10% of the issued share capital of the Company from time to time.

As at March 31, 2003, 78,500,000 (2002: 78,500,000) option shares remained outstanding, representing 2.14% (2002: 2.45%) of the Company's ordinary shares in issue.

A new share option scheme ("New Share Option Scheme") was approved and adopted on August 26, 2002. The New Share Option Scheme is valid and effective for a period of 10 years after the date of adoption. Outstanding options granted pursuant to the Old Share Option Scheme shall continue to be subject to the provisions of the Old Share Option Scheme and the adoption of the New Share Option Scheme does not in any event affect the terms of the grant of such outstanding options.

The New Share Option Scheme was adopted for the purpose of providing incentives or rewards to eligible person as defined in the scheme for their contribution or would be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employee and attract human resources that are valuable to the Group. Under the New Share Option Scheme, the board of directors of the Company may grant options to the eligible person to subscribe for shares of the Company.

Subject to the terms of the New Share Option Scheme, the total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes should not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme unless approval from the Company's shareholders is obtained to renew such limit. Notwithstanding the above, the maximum number of shares in respect of which options may be granted under the New Share Option Scheme together with any options outstanding and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to each participant in aggregate in any 12-month period shall not exceed 1% of the total number of shares in issue, any further grant to that particular participant shall be subject to approval of shareholders of the Company in general meeting with such participant and his or her associates abstaining from voting.

Options granted pursuant to the New Share Option Scheme must be accepted within 28 days of the date of option offered, upon payment of HK\$1 by way of consideration. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price per share will be determined by the board of directors of the Company, but in any event shall not be less than the highest of (i) the closing price of the shares as quoted in the Stock Exchange's daily quotation sheet on the date of the option offered and, (ii) the average closing price of the shares as quoted in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of the option offered, (iii) the nominal value of the shares.

No options have been granted under the New Share Option Scheme since its adoption.

No options have been granted under the Old Share Option Scheme since the beginning of the financial year and up to the termination date of the scheme. No options have been exercised, cancelled or lapsed under the Old Share Option Scheme during the financial year. The following table disclosed details of the Company's share options held by employees (including directors) under the Old Share Option Scheme and balance of outstanding share options at the balance sheet date.

DIRECTORS' REPORT

	Date of option shares granted	Exercisable period	Exercise price HK\$	Number of option shares outstanding at the beginning and end of year
Directors				
Mr. Chan Fook Lai	February 1, 2000	August 28, 2000 to August 27, 2003	0.228	1,100,000
	March 2, 2001	September 15, 2001 to September 14, 2004	0.10	2,000,000
	August 1, 2001	February 1, 2002 to January 31, 2005	0.255	5,800,000
Mrs. Chu Ho Miu Hing	February 1, 2000	August 28, 2000 to August 27, 2003	0.228	1,600,000
	August 1, 2001	February 1, 2002 to January 31, 2005	0.255	5,800,000
Mr. Chan King Hung	October 20, 1999	April 28, 2000 to April 27, 2003	0.17	20,000,000
	February 1, 2000	August 28, 2000 to August 27, 2003	0.228	3,000,000
	March 2, 2001	September 15, 2001 to September 14, 2004	0.10	1,000,000
	May 16, 2001	November 18, 2001 to November 17, 2004	0.10	7,600,000
	August 1, 2001	February 1, 2002 to January 31, 2005	0.255	5,800,000
Mr. Chu Yu Lin, David	August 1, 2001	February 1, 2002 to January 31, 2005	0.255	5,800,000
Mr. Lu Xin	May 16, 2001	November 18, 2001 to November 17, 2004	0.10	5,800,000
	August 1, 2001	February 1, 2002 to January 31, 2005	0.255	5,800,000
				71,100,000
Employees				
	August 1, 2001	February 1, 2002 to January 31, 2005	0.255	3,400,000
	December 8, 2001	June 8, 2002 to June 7, 2005	0.378	4,000,000
				7,400,000
				78,500,000

Save as disclosed above, 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. In addition, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the shares of the Company or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 34 to the financial statements and connected transactions below, no contracts of significance subsisted at any time during the year 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.

CONNECTED TRANSACTIONS

During the year, pursuant to the terms of the subscription agreement dated January 4, 2002, Mr. Chu Yu Lin, David ("Mr. Chu") has exercised the option to subscribe for a further 33 convertible redeemable non-voting preference shares of HK\$1,000,000 each of the Company as settlement of the amount of HK\$33,000,000 due to him by a subsidiary. Before exercising the option, the aforesaid sum indebted to Mr. Chu bears interest since April 1, 2002 at prevailing market rates and an amount of approximately HK\$1,327,000 was paid to Mr. Chu. Preference share dividend of approximately HK\$716,000 was paid to Mr. Chu in accordance with the rights of preference shareholders of the Company.

On April 25, 2002, the Company entered into a conditional subscription agreement ("Subscription Agreement") with Hong Kong Satellite Technology Holdings Limited ("Hong Kong Satellite", a company in which Mr. Chu and Mrs. Chu Ho Miu Hing have beneficial interest) and Mr. Chu to subscribe for 200 new shares of US\$1 each in the capital of Hong Kong Satellite for a total cash consideration of US\$20 million and to be completed on or before August 23, 2002. As the funds required for the completion of the agreement were not available, by a mutual agreement between the Company and Hong Kong Satellite, the Subscription Agreement was terminated and of no further force and effect.

Pursuant to a deed of assignment dated January 4, 2002 entered into among Mass Come Development Limited (a wholly-owned subsidiary of the Company), Pure Fair Investment Limited ("Pure Fair", an indirect non-wholly owned subsidiary of the Company), Bank of China (Hong Kong) Limited ("BOC") and Mr. Chu, approximately HK\$36,200,000 owed by Pure Fair to BOC and assigned to Mr. Chu was settled on behalf of Pure Fair by the Company to Mr. Chu in year 2002. The majority balance of the aforesaid sum has been brought forward to the current year and, as at March 31, 2003, an amount of approximately HK\$32,195,000 was indebted by Pure Fair, which is unsecured, bears interest at prevailing market rates and has no fixed repayment terms.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in directors' interests in shares, no other person is recorded in the register kept under section 16 of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company.

DIRECTORS' REPORT

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the convertible redeemable non-voting preference shares and share option scheme disclosed above and described in notes 22 and 23 to the financial statements, respectively, the Company had no outstanding convertible securities, options, warrants or similar rights as at March 31, 2003 and there had been no exercise of any convertible securities, options, warrants or similar rights 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 independent non-executive directors of the Company were not appointed for a specific term but were subject to re-election in a specified period in accordance with the Company's Bye-laws. Save as disclosed above, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the annual report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board
Chu Yu Lin, David
Chairman

Hong Kong, July 25, 2003