

DIRECTORS' REPORT

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 2004.

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, 12 and 13 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 March 2004 are set out in the consolidated income statement on page 19.

The directors do not recommend the payment of a dividend.

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 66.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$24,996,000 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 2004. The revaluation resulted in a net surplus over book values of HK\$7,708,000 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 22 to the financial statements.

DIRECTORS' REPORT

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. Liu Jiu Rong

Mr. Szeto Chak Wah

(resigned on 10 July 2003)

Independent non-executive directors:

Mr. Lo Kao Cheng

Mr. Lo Wai Ming

Mr. Chung Kam Kwong

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. Zhou Jin Hua and Lo Kao Cheng shall retire and, being eligible, offer themselves for re-election. The remaining 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' REPORT

DIRECTORS' INTERESTS IN SECURITIES

(i) Shares

As at 31 March 2004, the interests of the directors and their associates in the shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in the shares of the Company

Name of director	Number of issued ordinary shares beneficially held	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	55,752,000 (Note)	20.42%

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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES (continued)

(ii) Share options

On 16 September 2002, the Company adopted a New Share Option Scheme (the "New Share Option Scheme") which replaced the Company's old share option scheme adopted in 1996 (the "Old Share Option Scheme").

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

The following table discloses movements in the Company's share options held by the directors under the Old Share Option Scheme during the year:

Name of director	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
					Outstanding at 1.4.2003	Lapsed during the year	Outstanding at 31.3.2004
Mr. Zhou Jin Hua	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	2,850,000	(2,850,000)	-

Other than as disclosed above, as at 31 March 2004, none of the directors, nor their associates had any interests or short position in the securities of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 336 of the SFO discloses no other person as having an interest of 5% or more in the issued share capital of the Company as at 31 March 2004.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2004, 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 54% by value of the Group's total purchases during the year, with the largest supplier accounted for 42%.

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 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors are not appointed for a specific term.

AUDIT COMMITTEE

The Company's audit committee comprising independent non-executive directors and non-executive directors.

The principal duties of the audit committee are reviewing the internal control and the financial reporting requirements of the Group. The audit committee is satisfied with the Group's internal control procedures and the financial reporting disclosures.

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

23 July 2004