

## REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31st March, 2003.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest suppliers accounted for 33% of the Group's total purchases. The largest supplier accounted for 16% of the Group's total purchases.

During the year, the Group's five largest customers accounted for 54% of the Group's total sales. The largest customer accounted for 30% of the Group's total sales.

None of the directors, their associates or any shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's issued share capital, has a beneficial interest in any of the Group's five largest suppliers or customers.

### RESULTS

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 17. The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2003.

### FINANCIAL SUMMARY

A financial summary of the Group is set out on pages 53 and 54.

### SHARE CAPITAL AND WARRANTS

Details of the Company's share capital and warrants are set out in notes 20 and 22 to the financial statements respectively.

### 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 21 and note 23 to the financial statements respectively.

### PROPERTY, PLANT AND EQUIPMENT

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

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### DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$1,003,000.

### DIRECTORS AND SERVICE CONTRACTS

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

#### Executive directors:

KAN Shiu Cheong, Frederick, *Chairman*

CHAN Hoi Lam

YAU Kang Nam

JIANG Hai Qing

CHU Hung Lin, Victor

(resigned on 10th January, 2003)

#### Independent non-executive directors:

LIU Ngai Wing

NG Sui Keung

In accordance with Bye-law 99(A) of the Company's Bye-laws, Messrs. Liu Ngai Wing and Ng Sui Keung will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The term of office for each of the independent non-executive directors is the period up to his retirement by rotation pursuant to 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 its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

No contracts of significance to which the Company, its holding 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.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2003, the interests of the directors in the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

<b>Name of director</b>	<b>Number of shares held Personal interest</b>
Kan Shiu Cheong, Frederick	67,358,000
Yau Kang Nam	20,000,000

Save 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 31st March, 2003.

### SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following shareholder with interest representing 10% or more of the Company's issued share capital:

<b>Name of shareholder</b>	<b>Number of shares held</b>
First Century Holdings Limited	2,058,869,889

Save as disclosed above, the Company has not been notified of any other interest representing 10% or more in the issued share capital of the Company as at 31st March, 2003.

### SHARE OPTION AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 29th August, 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "New Option Scheme") under which the directors may, at their discretion, offer any eligible participant (including any director of the Company or any of its subsidiaries) options to subscribe for shares in the Company subject to the terms and conditions stipulated in the New Option Scheme. No share option has been granted under the New Option Scheme during the year.

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Prior to the adoption of the New Option Scheme, the Company had a share option scheme (the "Old Option Scheme") which was adopted on 19th February, 1992. It expired on 18th February, 2002 and no further options could be granted under the Old Option Scheme thereafter. However, the options granted under the Old Option Scheme which have not been fully exercised remain valid until such time when such options are fully exercised or have lapsed and will continue to be administered under the rules of the Old Option Scheme. The details of the movements in the number of options outstanding during the year which have been granted to the directors of the Company and other employees of the Group under the Old Option Scheme are as follows:

Name of director	Date of grant	Exercise period	Exercise price HK\$	Number of share options			Outstanding at 31.3.2003	Weighted average closing price of the Company's share immediately before the date of exercise HK\$
				Outstanding at 1.4.2002	Exercised during the year	Lapsed during the year		
Kan Shiu Cheong, Frederick	31.8.2001	31.8.2001 – 30.8.2004	0.01344	90,458,000	(90,458,000)	-	-	0.03087
Chan Hoi Lam	31.8.2001	31.8.2001 – 30.8.2004	0.01344	36,182,000	(25,000,000)	-	11,182,000	0.02824
Yau Kang Nam	31.8.2001	31.8.2001 – 30.8.2004	0.01344	20,000,000	(20,000,000)	-	-	0.03300
Jiang Hai Qing	18.2.2002	18.2.2002 – 17.2.2005	0.02400	10,000,000	-	-	10,000,000	-
Chu Hung Lin, Victor	31.8.2001	31.8.2001 – 30.8.2004	0.01344	36,182,000	(36,182,000)	-	-	0.02576
				192,822,000	(171,640,000)	-	21,182,000	
Other employees of the Group	31.8.2001	31.8.2001 – 30.8.2004	0.01344	10,000,000	-	-	10,000,000	-
	31.8.2001	1.3.2002 – 28.2.2005	0.01344	26,000,000	(26,000,000)	-	-	0.02823
	31.8.2001	1.6.2002 – 31.5.2005	0.01344	32,100,000	(25,100,000)	(4,000,000)	3,000,000	0.02869
	31.8.2001	15.6.2002 – 14.6.2005	0.01344	500,000	(500,000)	-	-	0.02900
	18.2.2002	1.6.2002 – 31.5.2005	0.02400	6,000,000	(2,000,000)	-	4,000,000	0.02900
				74,600,000	(53,600,000)	(4,000,000)	17,000,000	
				267,422,000	(225,240,000)	(4,000,000)	38,182,000	

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their costs. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

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At the date of this report, the number of shares available for issue in respect of 38,182,000 share options outstanding under the Old Option Scheme is 38,182,000 shares, representing approximately 0.98% of the issued share capital of the Company at that date.

At the date of this report, there remain 111,700,000 share options outstanding and unexercised under the New Option Scheme, which entitle their respective holders to subscribe for a total of 111,700,000 shares, representing approximately 2.88% of the issued share capital of the Company at that date.

Details of the Company's two share option schemes are set out in note 21 to the financial statements.

Saved as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executives or associates of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of the directors or their spouses and 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 year.

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

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

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

### **CORPORATE GOVERNANCE**

The Company has complied 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 throughout the year.

### **AUDITORS**

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

On behalf of the Board

**Kan Shiu Cheong, Frederick**

*Chairman*

Hong Kong

11th July, 2003