

The directors have pleasure in presenting their annual report and the audited financial statements of the Group for the year ended 31 March 2003.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 36 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 22.

The directors now recommend the payment of a final dividend of HK 1 cent per share to the shareholders of the Company whose names appear on the register of members on 12 August 2003, amounting to HK\$4,348,000.

### **INVESTMENT PROPERTIES**

All of the investment properties of the Group were revalued at 31 March 2003. The revaluation decrease arising on revaluation, which amounted to HK\$3,841,000, has been charged to the investment property revaluation reserve.

Details of these and other movements during the year in the investment properties of the Group are set out in note 16 to the financial statements.

Particulars of the investment properties of the Group as at 31 March 2003 are set out on page 62.

### **PROPERTY, PLANT AND EQUIPMENT**

All of the leasehold land and buildings were revalued at 31 March 2003. The revaluation increase arising on revaluation, which amounted to HK\$307,000, has been credited to the leasehold property 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 17 to the financial statements.

### **SHARE CAPITAL**

Details of movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

## DIRECTORS AND SERVICE CONTRACTS

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

### Executive directors:

Chan Chung Yee, Hubert – *Chairman*

Chan Chung Yin, Roy

Chan Man Min

Chan Ming Him, Denny

Kwok Cheuk Tim, Rockie

Tsui Hon Wing

Wu Kwok Lam

Yeh Yui Fong

### Independent non-executive directors:

Chiu Ngar Wing

Chu Chor Lup

Fung Lewis Hung *(resigned on 1 September 2002)*

In accordance with Article 108 of the Company's Articles of Association, Messrs. Yeh Yui Fong, Kwok Cheuk Tim, Rockie and Chan Man Min retire by rotation and, being eligible, offer themselves for re-election.

None of the directors 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.

The term of office for each independent non-executive director is one year.

## DIRECTORS' INTERESTS IN CONTRACTS

Other than the interests disclosed under the section headed "Connected transactions" below and as disclosed in note 35 to the financial statements, no other 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 year or at any time during the year.

**DIRECTORS' INTERESTS IN SHARES**

At 31 March 2003, the interests of the directors and their associates 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 ("SDI Ordinance") were set out below:

Name of director	Number of shares held		
	Personal interest	Family interest	Corporate interest
Chan Chung Yee, Hubert	–	213,252,200(i)	–
Chan Chung Yin, Roy	–	68,417,400(ii)	–
Chan Man Min	–	–	24,709,650(iii)
Yeh Yui Fong	–	–	2,681,550(iv)
Tsui Hon Wing	1,939,200	–	–

Notes:

- (i) 8,000,000 shares were held by Light Emotion Limited, a company wholly-owned by Matrix World Group Limited and 205,252,200 shares were held by Matrix World Group Limited, a company wholly-owned by Newcourt Trustees Limited as the trustee of the Mr. Chan Chung Yee, Hubert's family trust.
- (ii) 68,417,400 shares were held by Star Global International Limited, a company wholly-owned by Newcourt Trustees Limited as the trustee of the Mr. Chan Chung Yin, Roy's family trust.
- (iii) 24,709,650 shares were held by Ocean Hope Group Limited which was wholly-owned by Mr. Chan Man Min.
- (iv) 2,681,550 shares were held by CIT Company Limited of which Mr. Yeh Yui Fong and his wife each owned 50% of the issued share capital.

Save as disclosed above, at 31 March 2003, none of the directors or their associates had any interests in the securities of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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 securities of the Company.

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 27 to the financial statements.

At 31 March 2003, the number of shares in respect of which options had been granted under the scheme was 23,600,000, representing approximately 5% of shares of the Company in issue at that date.

The fair value of the options granted in the current year measured as at the date of grant on 21 February 2003 totalled approximately HK\$490,000. The following significant assumptions were used to derive the fair value, using the Black Scholes option pricing model:

1. an expected volatility of 54%;
2. expected annual dividend yield of 7.89%; and
3. the estimated expected life of the options granted is 24 months. The corresponding two-year Hong Kong Exchange Fund Notes interest rate at the date the options were granted was 1.69%.

The closing price of the Company's shares immediately before the date of grant was HK\$0.17.

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the consolidated income statement in respect of the value of option granted in the year.

**SHARE OPTIONS — continued**

The following table discloses movements in the Company's share options during the year:

	<b>Exercisable period</b>	<b>Exercise price per share HK\$</b>	<b>Outstanding at 1 April 2002</b>	<b>Lapsed during the year</b>	<b>Granted during the year</b>	<b>Outstanding at 31 March 2003</b>
Directors:						
Chan Chung Yee, Hubert	23.5.2002 – 22.11.2002	0.38	4,300,000	(4,300,000)	–	–
	21.2.2003 – 20.2.2005	0.17	–	–	4,300,000	4,300,000
Chan Chung Yin, Roy	23.5.2002 – 22.11.2002	0.38	1,800,000	(1,800,000)	–	–
	21.2.2003 – 20.2.2005	0.17	–	–	2,000,000	2,000,000
Chan Man Min	23.5.2002 – 22.11.2002	0.38	1,000,000	(1,000,000)	–	–
	21.2.2003 – 20.2.2005	0.17	–	–	1,000,000	1,000,000
Chan Ming Him, Denny	23.5.2002 – 22.11.2002	0.38	1,000,000	(1,000,000)	–	–
	21.2.2003 – 20.2.2005	0.17	–	–	1,000,000	1,000,000
Kwok Cheuk Tim, Rockie	23.5.2002 – 22.11.2002	0.38	1,000,000	(1,000,000)	–	–
	21.2.2003 – 20.2.2005	0.17	–	–	2,000,000	2,000,000
Tsui Hon Wing	23.5.2002 – 22.11.2002	0.38	1,000,000	(1,000,000)	–	–
	21.2.2003 – 20.2.2005	0.17	–	–	1,000,000	1,000,000

## SHARE OPTIONS — continued

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 April 2002	Lapsed during the year	Granted during the year	Outstanding at 31 March 2003
Directors (continued):						
Wu Kwok Lam	23.5.2002 – 22.11.2002	0.38	1,000,000	(1,000,000)	–	–
	21.2.2003 – 20.2.2005	0.17	–	–	1,000,000	1,000,000
Yeh Yui Fong	23.5.2002 – 22.11.2002	0.38	1,000,000	(1,000,000)	–	–
	21.2.2003 – 20.2.2005	0.17	–	–	1,000,000	1,000,000
			12,100,000	(12,100,000)	13,300,000	13,300,000
Employees	23.5.2002 – 23.11.2003	0.38	3,800,000	–	–	3,800,000
Customers	23.5.2002 – 30.6.2003	0.38	6,500,000	–	–	6,500,000
			22,400,000	(12,100,000)	13,300,000	23,600,000

## CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transactions:

Name	Nature of transaction	Amount HK\$'000
Hong Kong Communications Computer Company Limited	Computer software maintenance fee and purchase of computer hardwares	1,038
HKC Technology Limited	Purchase of goods	2,076

### SHARE OPTIONS — continued

The directors of the Company, Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy and Mr. Chan Man Min have beneficial interests in Hong Kong Communications Computer Company Limited.

The Group has 5% equity interest in HKCTechnology Limited.

The independent non-executive directors confirm that the transactions have been entered into by the Group in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions and in normal commercial terms.

### SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance recorded the following parties as having an interest representing 10% or more in the issued share capital of the Company as at 31 March 2003:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage held</b>
Matrix World Group Limited	205,252,200	47.20%
Star Global International Limited	68,417,400	15.73%
Newcourt Trustees Limited (note)	281,669,600	64.77%

Note: Light Emotion Limited, which holds 8,000,000 shares of the Company, is a wholly-owned subsidiary of Matrix World Group Limited. Newcourt Trustees Limited owns 100% of Matrix World Group Limited and Star Global International Limited and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Light Emotion Limited, Matrix World Group Limited and Star Global International Limited.

Save as disclosed above and as disclosed in "Directors' interest in shares" disclosed above, no person has registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2003, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 47% of the Group's total turnover and the sales attributable to the Group's largest customer was approximately 28% of the total sales. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 95% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 90% of the total purchases.

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

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **DONATION**

During the year, the Group made a charitable donation amounting to HK\$100,000.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31 March 2003 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 ("Listing Rules").

## **AUDIT COMMITTEE**

The Company established an audit committee on 12 September 2001 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The Company's audit committee comprises two independent non-executive directors namely, Mr. Chiu Ngar Wing and Dr. Chu Chor Lup.

## **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

**Chan ChungYee Hubert**

*Chairman*

Hong Kong, 18 July 2003