

The directors present their report together with the audited accounts of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2003.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries and associated companies of the Company are set out in notes 29 and 30 to the accounts.

An analysis of the Group's turnover and contribution to the operating loss for the year ended 31 March 2003 by principal activities and markets is set out in note 3 to the accounts.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2003 are set out in the Consolidated Profit and Loss Account on page 34.

No interim dividend was declared (2002: Nil) and the directors do not recommend the payment of a final dividend for the year ended 31 March 2003 (2002: Nil).

## SHARE CAPITAL AND SHARE OPTIONS

Movements in share capital of the Company during the year and details of share options are set out in note 22 to the accounts.

## RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 23 to the accounts.

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in note 12 to the accounts.

## PRINCIPAL PROPERTIES

Details of the principal properties held by the Group are set out on page 75.

## GROUP FINANCIAL INFORMATION

A summary of results, assets and liabilities of the Group for the five years ended 31 March 2003 is set out on page 74.

## MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	18%
– five largest suppliers combined	48%
Sales	
– the largest customer	20%
– five largest customers combined	44%

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) has any interest in the Group's five largest suppliers or customers.

## DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Lo Lin Shing, Simon (*Chairman*)

Yvette Ong (*Managing Director and CEO*)

To Hin Tsun, Gerald

Peter Pun\*

Wei Chi Kuan, Kenny\*

Lau Ko Yuen, Tom (resigned on 9 June 2003)

\* *Independent non-executive directors*

In accordance with the bye-laws of the Company, Mr. Peter Pun will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2003, none of the directors and chief executive of the Company was interested in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register kept by the Company under section 29 of the SDI Ordinance 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 in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the following persons (other than the directors or chief executive of the Company) had an interest of 10% or more of the issued share capital of the Company according to the register of substantial shareholders kept by the Company under section 16(1) of the SDI Ordinance:

Name of shareholders	Number of shares held
Best Cyber Limited	1,600,419,388
Asia Logistics Technologies Limited ( <i>Note</i> )	1,600,419,388

*Note:* Best Cyber Limited was a wholly-owned subsidiary of Asia Logistics Technologies Limited. Accordingly, Asia Logistics Technologies Limited was deemed to be interested in 1,600,419,388 shares held by Best Cyber Limited.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 March 2003, the following director is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Lau Ko Yuen, Tom*	Cyber Business Network (Singapore) Pte. Ltd.	Provision of web-enabled solutions and services	Director
	Paul Y. – ITC Construction Holdings Limited and its subsidiaries	Property investment in Hong Kong	Director
	China Strategic Holdings Limited and its subsidiaries	Property investment in Hong Kong	Alternate director

\* Mr. Lau Ko Yuen, Tom resigned as a director of the Company with effect from 9 June 2003.

As the board of directors of the Company is independent from the board of the aforesaid companies and the above director is unable to control the board of the Company, the Group is capable of carrying its businesses independently of, and at arms length from the businesses of such companies.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's businesses 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' SERVICE CONTRACTS

None of the directors has service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its subsidiaries a party to any other arrangements to enable the directors or chief executive or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate.

## SHARE OPTION SCHEMES

Under the share option schemes adopted by the Company on 24 July 1990 (the "Expired Option Scheme") and 22 September 2000 (the "Terminated Option Scheme"), options were granted to certain directors and employees of the Company entitling them to subscribe for shares of HK\$0.02 each in the capital of the Company. At a special general meeting of the Company held on 28 August 2002, the Terminated Option Scheme was terminated and a new share option scheme (the "Existing Option Scheme") was adopted in compliance with the new requirements of the Listing Rules.

The following is a summary of the terms of the Existing Option Scheme:

### 1. Purpose

The purpose of the Existing Option Scheme is to provide incentives or rewards for the contribution of the participants to the Group and to enable the Group to recruit and/to retain high-calibre employees and attract human resources that are valuable to the Group.

**SHARE OPTION SCHEMES** *(Continued)***2. Participants**

The participants of the Existing Option Scheme include any director, employee, consultant, agent or advisor of the Group or any entity in which the Group holds an interest.

**3. Number of shares available for issue**

The total number of shares available for issue under the Existing Option Scheme is 582,496,116 which represents 10% of the issued share capital of the Company as at the date of this report.

**4. Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless separately approved by the shareholders in general meeting.

**5. Option period**

An option may be exercised in accordance with the terms of the Existing Option Scheme at any time during the period to be notified by the directors to the grantee on or prior to the offer date, but in any event such period of time must not be more than 10 years from the date of grant.

**6. Vesting period**

The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

**7. Amount payable on acceptance of option**

Upon acceptance of the offer for an option, the grantee shall pay HK\$1.00 as consideration for the grant.

**8. Exercise price**

The subscription price for a share in respect of any option granted shall be a price determined by the directors at their absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for 5 trading days immediately preceding the offer date; and (iii) the nominal value of a share.

**9. Remaining life of the scheme**

The Existing Option Scheme is valid and effective for a term of 10 years commencing on 28 August 2002.

## SHARE OPTION SCHEMES (Continued)

No share options have been granted under the Existing Option Scheme. Details of the movement in outstanding share options during the year, which have been granted under the Expired Option Scheme and the Terminated Option Scheme, are as follows:

	Date of grant	Vesting period (note 1)	Exercise period	Exercise price		As at 1 April 2002	Number of shares subject to options			
				As at the date of grant	As adjusted by the Rights Issue (note 2)		Rights Issue adjustment (note 2)	Granted during the year (notes 3 and 4)	Lapsed during the year	As at 31 March 2003
				HK\$	HK\$					
<b>Directors</b>										
Lo Lin Shing, Simon	17-8-1999	17-8-1999 to 16-2-2002	17-8-1999 to 16-8-2002	0.5664	0.3776	25,000,000	12,500,000	-	(37,500,000)	-
Yvette Ong	17-8-1999	17-8-1999 to 16-2-2002	17-8-1999 to 16-8-2002	0.5664	0.3776	5,000,000	2,500,000	-	(7,500,000)	-
	22-7-2000	22-7-2000 to 21-7-2002	22-7-2000 to 21-7-2003	0.3592	0.2395	4,000,000	2,000,000	-	-	6,000,000
	17-4-2002	17-4-2002 to 16-4-2004	17-4-2002 to 16-4-2009	0.0520	N/A	-	-	30,000,000	-	30,000,000
<b>Employees</b>										
(including directors of subsidiaries)	17-8-1999	17-8-1999 to 16-2-2002	17-8-1999 to 16-8-2002	0.5664	0.3776	25,000,000	12,500,000	-	(37,500,000)	-
	2-5-2000	2-5-2000 to 1-11-2002	2-5-2000 to 1-5-2003	0.5328	0.3552	800,000	400,000	-	(1,200,000)	-
	22-7-2000	22-7-2000 to 21-7-2002	22-7-2000 to 21-7-2003	0.3592	0.2395	2,000,000	1,000,000	-	(3,000,000)	-
	16-11-2000	16-11-2000 to 15-11-2002	16-11-2000 to 15-11-2007	0.2328	0.1552	2,900,000	1,450,000	-	-	4,350,000
	17-4-2002	17-4-2002 to 16-4-2004	17-4-2002 to 16-4-2009	0.0520	N/A	-	-	78,564,000	(37,288,000)	41,276,000
						64,700,000	32,350,000	108,564,000	(123,988,000)	81,626,000

## SHARE OPTION SCHEMES *(Continued)*

### Notes:

1. The options are vested in tranches during the vesting period.
2. During the year, the Company has completed a rights issue (the "Rights Issue") of 1,941,653,720 shares of HK\$0.02 each in the capital of the Company at HK\$0.05 per share on the basis of one rights share for every two existing shares held. Upon completion of the Rights Issue on 12 April 2002, the exercise price and the number of shares subject to the outstanding share options have been adjusted accordingly.
3. The closing price of the shares of the Company on 16 April 2002 being the trading day immediately preceding the date of grant was HK\$0.052.
4. The value of share options granted are not recognised in the accounts until they are exercised. The directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders.

## CONNECTED TRANSACTION

The outstanding balance of the shareholder's loans advanced by the Group to Darierian Worldwide Limited, a 51% owned subsidiary of the Company, as at 31 March 2003 remained at HK\$46,133,417. Except for an amount of HK\$19,220,000 which carries interest at 5% per annum, the shareholder's loans are unsecured, interest free and repayable on demand.

## GROUP BORROWINGS

Details of the Group's borrowings are set out in notes 20 and 21 to the accounts.

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

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

### PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company was incorporated.

### CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the year.

The audit committee of the Company currently comprises Messrs. Peter Pun and Wei Chi Kuan, Kenny who are independent non-executive directors of the Company and their principal duties include the review and supervision of the Company's financial reporting process and internal controls.

### EMPLOYEES SCHEME

As at 31 March 2003, the Group employed over 110 full-time employees mainly in Hong Kong and Mainland China. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective countries and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from pension funds, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Structured training programs are also offered for staff training and development.

## DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

The Group had advances and guarantee toward the affiliated companies in a total sum of HK\$182 million as at 31 March 2003 which exceeds 25% of the Group's net assets. A pro-forma combined balance sheet as of 31 March 2003 of these affiliated companies and the Group's attributable interest in these companies are presented below:

	Unaudited pro-forma combined balance sheet	Group's attributable interest
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	61,280	12,256
Current assets		
Debtors, prepayments and other deposits	27,883	10,317
Inventory	895	179
Cash and bank balances	335	67
	29,113	10,563
Current liabilities		
Creditors, deposits and accruals	39,517	12,644
Amount due to immediate holding company	308,361	154,180
	347,878	166,824
Net current liabilities	(318,765)	(156,261)
Total assets less current liabilities	(257,485)	(144,005)
Non-current liabilities		
Long term loans	109,196	21,839
Net liabilities	(366,681)	(165,844)
<b>CAPITAL AND RESERVES</b>		
Share capital	45,426	9,085
Reserves	(412,107)	(174,929)
	(366,681)	(165,844)

## AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Lo Lin Shing, Simon**

*Chairman*

Hong Kong, 18 July 2003