

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 and provides corporate management services.

The activities of the Company's principal subsidiaries at 31st March, 2003 are set out in note 40 to the financial statements.

## RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 16.

No dividend was paid by the Company during the year. The directors do not recommend the payment of a final dividend for the year.

## RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 20 and note 31 to the financial statements, respectively.

In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves of the Company. The Company's reserves available for distribution to the Company's shareholders comprise share premium, capital redemption reserve, contributed surplus, distributable reserve and accumulated losses which in aggregate amounted to HK\$429,232,000 at 31st March, 2003.

## INVESTMENT PROPERTIES

The investment properties of the Group were revalued at 31st March, 2003 by an independent firm of professional property valuers, on an open market value basis at HK\$5,800,000. This valuation gives rise to a deficit of HK\$200,000 which has been charged to the consolidated income statement. Details are set out in note 15 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group and the Company are set out in note 16 to the financial statements.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the financial statements.

## SHARE OPTION SCHEMES

In order to comply with the requirements of the Rules Governing the Listing of the Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company adopted a new share option scheme (the "New Scheme") to replace its original share option scheme adopted on 2nd July, 1999 (the "Old Scheme"). The New Scheme was adopted and the Old Scheme was terminated on 23rd August, 2002 (the "Adoption Date").

### The Old Scheme

The Old Scheme was for the primary purpose of providing incentive to directors and eligible employees. The Company was allowed to grant options to any full time employee including executive directors of the Company and its subsidiaries to subscribe for shares of the Company (the "Share(s)"). Upon acceptance of the option, the grantee must pay HK\$1 to the Company by way of consideration for the grant.

Options granted were exercisable for a period to be notified by the board of directors of the Company (the "Board") to each grantee and in any event such period of time shall not exceed a period of ten years commencing on the date on which the option was accepted. The maximum number of Shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time.

The subscription price for a Share under the Old Scheme was a price to be determined by the directors of the Company being the higher of the nominal value of the ordinary share of the Company or a price being not less than 80% of the average closing price of the ordinary share of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of the options.

### The New Scheme

Subject to the provisions of the scheme, the New Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. The primary purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole.

The categories of the participants under the New Scheme are any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company and its subsidiaries and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group who the Board considers, in its sole discretion have contributed or will contribute to the Group.

The Board may, at its absolute discretion, made an offer to any participant to take up options. An offer is deemed to have been accepted and an option is deemed to have been granted and accepted and shall take effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and the remittance of HK\$1 by way of consideration for the grant thereof is received by the Company.

The total number of Shares which may be issued upon exercise of all options granted under the New Scheme and other share option scheme(s) of the Company (excluding options lapsed) must not exceed 311,612,404 Shares, being approximately 10% of the total number of Shares in issue on the Adoption Date, except with prior approvals from the Company's shareholders. An option may be exercised during a period to be notified by the Board but may not be exercised after the expiry of 10 years after the date of grant of the option. The maximum number of Shares in respect of which options may be granted to a specifically identified single grantee under the New Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1 % of the Shares in issue. Any further grant of options in excess of this limit is subject to shareholders' approval in advance in a general meeting.

The subscription price for shares on the exercise of options under the New Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the greater of: (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date on which an option is granted; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a Share.

There were no options granted either under the Old Scheme or the New Scheme during the year and there were no outstanding options as at 1st April, 2002 and 31st March, 2003.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Kwong Wai Tim, William (*Managing Director*)

Yau Shum Tek, Cindy

Lai Ming Wai

Terrence Lai

Wang Chun Lin (resigned on 5th August, 2002)

Chen Peihua (appointed on 20th June, 2002 and resigned on 15th January, 2003)

Independent non-executive directors:

Kwong Kai Sing, Benny

Lam Ping Cheung

In accordance with Article 112 of the Company's Articles of Association, Mr. Kwong Wai Tim, William and Ms. Yau Shum Tek, Cindy will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' REPORT

The independent non-executive directors are subject to retirement by rotation in accordance with Article 112 of the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has 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 SECURITIES

At 31st March, 2003, the interests of the directors of the Company and their associates in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules were as follows:

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of ordinary shares held</b>
Yau Shum Tek, Cindy	Corporate	726,918,000 ( <i>Note below</i> )

*Note:* At 31st March, 2003, Multiple Wealth International Limited ("Multiple Wealth") and Pacific Rim Investment Management Enterprises Limited ("Pacific Rim") held 192,318,000 ordinary shares and 534,600,000 ordinary shares of the Company respectively. Multiple Wealth and Pacific Rim are wholly-owned subsidiaries of Hastings Gold Limited ("Hastings Gold"), which in turn, is a wholly-owned subsidiary of Mainland Talent Developments Limited ("Mainland Talent"). Ms. Yau Shum Tek, Cindy wholly owns and controls Red China Holdings Limited ("Red China") and Capital Sun Industries Limited ("Capital Sun"). Capital Sun wholly owns Future Star Group Limited ("Future Star"). Each of Red China and Future Star is interested in 50% of the issued share capital of Mainland Talent. Ms. Yau Shum Tek, Cindy is deemed to be interested in 726,918,000 ordinary shares of the Company held by Multiple Wealth and Pacific Rim.

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

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share option schemes" 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 debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the year.

## SUBSTANTIAL SHAREHOLDERS

At 31st March, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed the following entities as having an interest of 10% or more of the issued share capital of the Company:

Name of shareholder	Nature of interests	Number of ordinary shares held		Note
		Direct interest	Deemed interest	
Multiple Wealth	Corporate	192,318,000	–	1
Pacific Rim	Corporate	534,600,000	–	1
Hastings Gold	Corporate	–	726,918,000	1
Mainland Talent	Corporate	–	726,918,000	1 and 2
Future Star	Corporate	–	726,918,000	1 and 2
Capital Sun	Corporate	–	726,918,000	1 and 2
Red China	Corporate	–	726,918,000	1 and 2
Yau Shum Tek, Cindy	Corporate	–	726,918,000	1 and 2

*Notes:*

- At 31st March, 2003, Multiple Wealth and Pacific Rim held 192,318,000 ordinary shares and 534,600,000 ordinary shares of the Company respectively. Multiple Wealth and Pacific Rim are wholly-owned subsidiaries of Hastings Gold, which in turn, is a wholly-owned subsidiary of Mainland Talent.
- Ms. Yau Shum Tek, Cindy wholly owns and controls Red China and Capital Sun. Capital Sun wholly owns Future Star. Each of Red China and Future Star is interested in 50% of the issued share capital of Mainland Talent. Ms. Yau Shum Tek, Cindy is deemed to be interested in 726,918,000 ordinary shares of the Company held by Multiple Wealth and Pacific Rim.

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

## DIRECTORS' INTERESTS IN CONTRACTS

No 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, subsisting at the end of the year or at any time during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales during the year attributable to the Group's five largest customers comprised approximately 79% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 58% of the Group's total turnover.

## DIRECTORS' REPORT

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 30% of the Group's purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers or 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 Articles of Association, or the laws of the Cayman Islands, 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 31st March, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

### **POST BALANCE SHEET EVENT**

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

### **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

**Kwong Wai Tim, William**  
*Managing Director*

Hong Kong, 23rd July, 2003