

## DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 March 2003.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies and partnerships are shown on notes 9, 10 and 12. An analysis of the Group's turnover and contribution to results by principal activity of operations is set out in note 2 to the financial statements.

### FINANCIAL STATEMENTS AND DIVIDENDS

The consolidated profit and loss account for the year ended 31 March 2003 and the balance sheet for the Group and the Company as at 31 March 2003 are set out in the financial statements on pages 15 to 57.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2003 (2002: Nil). No interim dividend for the 6 months ended 30 September 2002 had been declared.

### SHARE CAPITAL AND RESERVES

Details of movements in issued share capital and reserves during the year are set out in note 16 and note 17 to the financial statements.

### FIXED ASSETS

Details of movements in fixed assets are set out in note 8 to the financial statements.

### SUBSIDIARIES

Details of the subsidiary companies as at 31 March 2003 are set out in note 12 to the financial statements.

### BORROWINGS

Details of borrowings are set out in note 15 to the financial statements.



## DIRECTORS' REPORT

### INTEREST CAPITALISED

No interest expense was capitalised during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers being trade customers and tenants of the Group accounted for 36% of the Group's combined turnover on IT services and property rental & management, the largest trade customer accounting for 10%. The five largest suppliers of goods and services accounted for less than 42% of the Group's expenditure on goods and services, the largest supplier of goods and services accounting for 17%.

### DIRECTORS

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

Mrs. Rossana WANG GAW

Mr. Goodwin GAW

Mr. Kenneth GAW

Ms. Jane Kwai Ying TSUI

Dr. Charles Wai Bun CHEUNG, J.P.

The Hon Bernard Charnwut CHAN

Mr. Arnold Tin Chee IP

In accordance with the Company's Bye-Laws, Mrs. Rossana Wang Gaw and Mr. Arnold Tin Chee Ip retire, and being eligible, offer themselves for re-election.

Neither Mrs. Rossana Wang Gaw nor Mr. Arnold Tin Chee Ip has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation.

### BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

#### Executive Directors

Mrs. Rossana WANG GAW (*Chairman*)

Aged 57. Appointed to the Board in 1980 and has been Chairman of the Group since February 1999. She is the Managing Director of Pioneer Estates Limited. She is responsible for the management of the real estate sector in the Group. Mrs. Gaw has eight years of experience in the garment manufacturing industry and over 20 years of experience in real estate investments. Mrs. Gaw is a graduate of the University of California, Berkeley, and holds a degree in Business Administration.



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Mr. Goodwin GAW (*Vice-Chairman*)

Aged 34. Appointed to the Board in 1994 and became Vice Chairman of the Group in August 1996. Mr. Gaw is also the Chairman & CEO of Global Gateway, L.P.. He graduated with a Bachelor of Science degree in Civil Engineering from the University of Pennsylvania, a finance degree from Wharton Business School and a Master of Science degree in Construction Management from Stanford University. He is the son of Mrs. Rossana Wang Gaw.

Mr. Kenneth GAW (*Managing Director*)

Aged 32. Appointed to the Board in 1994 and became Managing Director of the Group in February 1999. Mr. Gaw is also a director of Siam Food Products Public Company Limited and Dusit Thani Public Company Limited and was director and Deputy Chairman of Wah Kwong Shipping Holdings Limited until the company was privatised in July 2000. He graduated with a Bachelor of Science degree in Applied Mathematics and Economics from Brown University (Magna Cum Laude). Before joining the Group, Mr. Gaw worked in the structured finance group at Goldman, Sachs & Co. in New York and in corporate finance at Goldman Sachs (Asia) Limited in Hong Kong. Mr. Gaw was the Chairman of Young Entrepreneurs' Organisation Hong Kong Chapter for 2001-2002. He is the son of Mrs. Rossana Wang Gaw.

Ms. Jane Kwai Ying TSUI (*Company Secretary*)

Aged 59. Appointed to the Board in 1984. She is responsible for the day to day operation of the Group, including general administration. She is also responsible for all company secretarial matters of the Group. Ms. Tsui previously worked in the banking sector for about three years before joining the Group in 1980.

### **Independent non-executive Directors**

Dr. Charles Wai Bun CHEUNG, J.P.

Aged 67. Appointed to the board in 1986. He is the Group Chief Executive and Executive Deputy Chairman of Mission Hills Group. He is a non-executive director of both K. Wah International Holdings Limited and K. Wah Construction Materials Limited. Dr. Cheung is also a non-executive director of Prime Investments Holdings Limited and B&S Entertainment Holdings Ltd.. Dr. Cheung holds an honorary doctor degree, a master degree and a bachelor of science degree in business administration. He had been in the banking business for over twenty-two years and held senior management positions. Dr. Cheung was a former director and adviser of the Tung Wah Group of Hospitals. He is a Vice Chairman of Guangdong Province Golf Association. Dr. Cheung was awarded the Directors of the Year 2002 Awards of listed company non-executive Director. Dr. Cheung was appointed by the HKSAR Government as a member of the Estate Agents Authority on 1 November 2002.



## DIRECTORS' REPORT

The Hon Bernard Charnwut CHAN

Aged 38. Appointed to the Board in 1994, is the youngest member of the Legislative Council of the Hong Kong Special Administrative Region. A graduate of Pomona College in California, U.S.A., he holds the positions of Deputy Managing Director of Asia Financial Group and Executive Director of Asia Insurance and Asia Commercial Bank. He serves as the Chairman of the Standing Committee on Disciplined Services Salaries and Conditions of Service; a Director of The Hong Kong Mortgage Corporation Ltd. and a Council Member of Lingnan University. He is also a member of the Mandatory Provident Fund Schemes Advisory Committee, the Process Review Panel of Securities & Futures Commission, the Hong Kong Government's Business Advisory Group, the Fight Crime Committee, the Task Force on Employment and the Committee on Financial Assistance for Family Members of Those Who Sacrifice Their Lives to Save Others. In addition, he serves as the Chairperson of The Hong Kong Council of Social Service, the Chairman of the Hong Kong-Thailand Business Council, the Advisor of Bangkok Bank Ltd., Hong Kong Branch and the Vice Chairperson of Community Investment & Inclusion Fund Committee.

Mr. Arnold Tin Chee IP



Aged 40. Appointed to the Board in 1999. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong and in advising on private equity and property investments in Asia. Between 1989 and March 1997, Mr. Ip worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Company Limited thereafter until January 2001 specializing in a broad range of corporate finance and advisory activities for companies based in Hong Kong and China.

Mr. Ip's work focuses on fund raising for listed and unlisted companies including development capital raising for unlisted companies.

From 1984 to 1988 Mr. Ip worked at Arthur Andersen & Co in London specializing in taxation and qualified as a chartered accountant in 1988.

Mr. Ip is a graduate of Trinity College, Cambridge University.

## DIRECTORS' REPORT

### DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

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

Name of Directors	Personal	Family	Corporate	Other	Total	Number of share options* granted and remained outstanding
Rossana Wang Gaw	–	–	15,309,732 <sup>#</sup>	Note 1	138,238,433	8,167,113
Goodwin Gaw	–	–	–	–	–	17,175,962
Kenneth Gaw	1,734,750	–	8,122,000 <sup>##</sup>	Note 2	36,314,524	17,175,962
Jane Kwai Ying Tsui	600,750	–	–	–	600,750	4,549,923
Charles Wai Bun Cheung	–	–	–	–	–	–
Bernard Charnwut Chan	–	–	–	–	–	–
Arnold Tin Chee Ip	–	–	–	–	–	–

*Notes:*

- Family trust of which members of the family of Mrs. Rossana Wang Gaw are amongst the beneficiaries held an aggregate of 123,148,701 shares.
  - Family trust of which Mr. Kenneth Gaw is a beneficiary held an aggregate of 26,457,774 shares.
- \* The relevant share options were granted pursuant to the share option scheme of the Company approved at the Company's special general meeting held on 3 September 1996.
- <sup>#</sup> Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,309,732 Shares.
- <sup>##</sup> Mr. Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,122,000 Shares.

Save as disclosed above, none of the directors, chief executives or their associates had any interests in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 of Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.



## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 31 March 2003, according to the register kept by the Company under Section 16(1) of the SDI Ordinance and so far as was known to the directors, the following person, other than the directors, was interested or taken or deemed to be interested in 10 percent or more in nominal value of the issued share capital of the Company:

Name of shareholder	Number of shares	Percentage of the issued share capital
Forward Investments Inc.	174,277,635	23.27%

### SHARE OPTION SCHEME

Details of share option scheme are set out in note 22 to the financial statements.

### DIRECTORS' SERVICE CONTRACTS

No director has a service contract with any member of the Group which is not determinable within one year without payment other than statutory compensation.

### DIRECTORS' INTEREST IN CONTRACTS

The directors had no interest, direct or indirect, either during the financial year or at the end thereof in any significant contracts to which the Company or its subsidiaries was a party.

### PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda, the jurisdiction in which the Company is incorporated.

### PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, the Company repurchased on the Stock Exchange a total of 500,000 shares of HK\$0.10 each of the Company at an aggregate consideration of HK\$156,447. Repurchased shares were cancelled subsequent to the repurchases. Details of the shares repurchased are set out below:

Month of repurchase	Number of shares	Price per share (HK\$)		Aggregate consideration (HK\$)
		Highest	Lowest	
April 2002	500,000	0.31	0.31	156,447

Save as aforesaid, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed shares during the year.

### AUDIT COMMITTEE

The audited consolidated financial statements for the year ended 31 March 2003 have been reviewed by the Audit Committee of the Company. The members of the Audit Committee are Dr. Charles Wai Bun Cheung, J.P., The Hon Bernard Charnwut Chan and Mr. Arnold Tin Chee Ip.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange, except that the independent non-executive directors have no specific term of office, but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

### AUDITORS

The financial statements have been audited by Fan, Mitchell & Co. who retire, and being eligible, offer themselves for re-appointment.

On Behalf of the Board

**Rossana Wang Gaw**

*Chairman*

Hong Kong, 15 July 2003

