

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 34 and 21 respectively to the financial statements.

RESULTS

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 15.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 to the financial statements. There were no movements in share capital of the Company during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

There has been no purchase, redemption or sale of shares of the Company by the Company or any of its subsidiaries during the year.

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 75% of the Group's total turnover of which the largest customer accounted for approximately 22%. The Group has less than five suppliers. The aggregate purchase attributable to the Group's largest supplier accounted for approximately 98% of the Group's total purchase.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in any of 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 were:

Executive directors:

Mr. Lo Chi Ho, William
Mr. Choi Wing Kin
Mr. Wu Wing Kin
Mr. To Chi
Mr. Leung Ge On, Andy (resigned on 12 April 2002)
Mr. Ng Tik Hong (resigned on 14 November 2002)

Independent non-executive directors:

Mr. Cheung Hon Kit
Mr. Ng Wai Hung

DIRECTORS (continued)

Under the provisions of the Company's Bye-laws, Mr. Wu Wing Kin will retire from the board at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office for the independent non-executive directors is the period up to their retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 31 March 2003, the following director held interests in the shares of Cyber On-Air Group Company Limited ("COA"), a 27.50% owned associate of the Group, as follows:

Name of director	Number and description of shares
Lo Chi Ho, William	1,562,500 ordinary shares of HK\$0.01 each

Other than as disclosed above and as disclosed in the section headed "Share options" below, none of the directors nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 28 to the financial statements.

The following table discloses details of the Company's share options held by directors and movements in such holdings during the year:

Director	Date granted	Exercise price per share HK\$	Exercisable period	At 1.4.2002	Lapsed during the year	At 31.3.2003
Lo Chi Ho, William	29 February 2000	0.304	1 March 2000 to 28 February 2003	45,000,000	(45,000,000)	–
	14 February 2001	0.039	15 February 2001 to 14 February 2004	50,000,000	–	50,000,000
Total				<u>95,000,000</u>	<u>(45,000,000)</u>	<u>50,000,000</u>

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share options" 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 debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following entities had an interest of 10% or more in the share capital of the Company:

Name	Number of shares of the Company	Approximate percentage holding
China Strategic Holdings Limited	1,646,901,735 (<i>Note 1</i>)	36.54%
China Strategic (B.V.I.) Limited	1,646,901,735 (<i>Note 1</i>)	36.54%
Great Joint Profits Limited	1,646,901,735 (<i>Note 1</i>)	36.54%
Dong Fang Gas Holdings Limited	1,646,901,735 (<i>Note 1</i>)	36.54%
Companion Building Material (BVI) Limited	1,646,901,735 (<i>Note 1</i>)	36.54%
Companion Building Material (Holdings) Limited ("CBM")	1,646,901,735 (<i>Note 2</i>)	36.54%

Notes:

1. CBM is a wholly-owned subsidiary of Companion Building Material (BVI) Limited, which is in turn a wholly-owned subsidiary of Dong Fang Gas Holdings Limited. Dong Fang Gas Holdings Limited is beneficially owned as to approximately 43.06% by Great Joint Profits Limited, which is in turn a wholly-owned subsidiary of China Strategic (B.V.I.) Limited. China Strategic (B.V.I.) Limited is a wholly-owned subsidiary of China Strategic Holdings Limited. Accordingly, each of Companion Building Material (BVI) Limited, Dong Fang Gas Holdings Limited, Great Joint Profits Limited, China Strategic (B.V.I.) Limited and China Strategic Holdings Limited is deemed to be interested in 1,646,901,735 shares of the Company held by CBM.
2. Of the 1,646,901,735 shares of the Company held by CBM, 1,645,701,735 shares of the Company are kept in a margin account with a securities house.

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

CODE OF BEST PRACTICE

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").

PRE-EMPTIVE RIGHTS

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

PRACTICE NOTE 19 OF THE LISTING RULES

Details of the advances to the Company's affiliated companies by the Group as at 31 March 2003 are as follows:

Name of affiliated companies	Percentage of effective interest held by the Company as at 31 March 2003 (approximately) %	Advances to affiliated companies (before accumulated allowance) HK\$'000	Accumulated allowance for amounts due from affiliated companies HK\$'000	Balance (after accumulated allowance) HK\$'000
Prime Key Assets Limited	33.8	4,201	(4,201)	–
Gameplayers.com Limited	33.8	11,502	(11,502)	–
Topstyle Publishing Limited	33.8	3,926	(3,926)	–
HK Stock Limited	33.4	953	(953)	–
Top Rich Limited	33.8	72	(72)	–
Total		<u>20,654</u>	<u>(20,654)</u>	<u>–</u>

Advances to the affiliated companies are interest-free, unsecured and have no fixed repayment terms. No guarantees were given by the Group to secure facilities granted to the Group's affiliated companies as at 31 March 2003.

Information on the assets and liabilities of the above affiliated companies as at 31 March 2003 cannot be obtained by the Group. The latest proforma balance sheets of such affiliated companies available to the Group are shown below.

The combined proforma balance sheet of Prime Key Assets Limited, Gameplayers.com Limited and Topstyle Publishing Limited as at 31 July 2001 is as follows:

	Balance at 31 July 2001 HK\$'000	The Group's attributable interest (Note) HK\$'000
Non-current assets	1,463	495
Current assets	30,826	10,419
Current liabilities	(39,197)	(13,249)
Net current liabilities	(8,371)	(2,830)
Deficiency of shareholders' funds	<u>(6,908)</u>	<u>(2,335)</u>

The proforma balance sheet of HK Stock Limited as at 31 December 2002 is as follows:

	Balance at 31 December 2002 HK\$'000	The Group's attributable interest (Note) HK\$'000
Non-current assets	19,998	6,679
Current assets	1,474	492
Current liabilities	(29,322)	(9,793)
Net current liabilities	(27,848)	(9,301)
Deficiency of shareholders' funds	<u>(7,850)</u>	<u>(2,622)</u>

PRACTICE NOTE 19 OF THE LISTING RULES (continued)

The proforma balance sheet of Top Rich Limited as at 31 January 2001 is as follows:

	Balance at 31 January 2001	The Group's attributable interest (Note)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	371	125
Current assets	8	3
Current liabilities	(1,273)	(430)
Net current liabilities	(1,265)	(427)
Deficiency of shareholders' funds	(894)	(302)

Note:

The calculation of the Group's attributable interest in the affiliated companies is based on the percentage of effective interest held by the Company in such affiliated companies as at 31 March 2003.

Trade debtors of the Group as at 31 March 2003 amounted to approximately HK\$2,155,000 before allowance and approximately HK\$100,000 after allowance. Such receivables arose in the normal course of business and are interest-free, unsecured and have no fixed repayment terms. Details of such receivable with individual gross amount of HK\$100,000 or above as at 31 March 2003 are as follows:

Name of entity	Amount receivable (before allowance)	Allowance	Balance (after allowance)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Best Cheer Development Limited	2,042	(1,942)	100
Others (each below HK\$100,000)	113	(113)	–
Total	2,155	(2,055)	100

AUDITORS

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

By Order of the Board
To Chi
Executive Director

Hong Kong, 28 July 2003