



The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries consist of investment holding, securities dealing and broking, financing, general import and export trading and property development and investment. There were no significant changes in the nature of the Group's activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 19 to 67.

The directors recommended the payment of dividend to be satisfied by the distribution of one share of each of Inworld Group Limited, Riverhill Holdings Limited and Rainbow International Holdings Limited respectively for every 50 shares of HK\$0.01 each of the Company held on 26 September 2003 conditional upon ratification of various transactions detailed in the announcement of the Company dated 3 June 2003 by shareholders at a special general meeting.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 13 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 69.

PROPERTIES HELD FOR REDEVELOPMENT

Details of the properties held for redevelopment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options, together with the reasons therefor, are set out in notes 30 and 31 to the financial statements.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements.



DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for distribution were HK\$245,828,000, of which HK\$1,690,000 has been proposed as a final dividend for the year. In addition, under the laws of Bermuda, the Company's share premium account, in the amount of HK\$33,438,000, may be distributed in the form of fully paid bonus shares.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 68. This summary does not form part of the audited financial statements.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Steven Wang Tai Li

Ms. Yvonne Han Yi Yeung

Ms. Miranda Chi Mei Chan

Mr. Suet Ming Ching *(appointed on 2 April 2002)*

Mr. Erik Yuk Wo Cheng *(appointed on 1 August 2002 and resigned on 18 June 2003)*

Mr. Kenneth Chi Shing Cheung *(resigned on 18 June 2002)*

Independent non-executive directors:

Mr. David Man San Lim

Mr. Jerry Wai Leung Yip *(resigned on 31 March 2003)*

Subsequent to the balance sheet date, on 1 July 2003, Mr. Steven Wang Tai Li resigned as a director of the Company. On 15 April 2003 and 1 July 2003, Mr. Edward Shun Kee Yeung and Mr. Johnny Wing Fai Tam were appointed as an independent non-executive director and an executive director of the Company, respectively.

In accordance with the Company's Bye-laws, Mr. David Man San Lim shall retire in accordance with Bye-law 99 and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with the Company's Bye-Laws, Mr. Johnny Wing Fai Tam and Mr. Edward Shun Kee Yeung shall retire in accordance with Bye-law 102(B) and, being eligible offer themselves for re-election at the forthcoming annual general meeting.

**DIRECTORS' SERVICE CONTRACTS**

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option scheme disclosures in note 31 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors in the share capital of the Company or its associated corporations as recorded in the register required to be kept pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Share capital

Name of director	Number of ordinary shares of HK\$0.01 each held and nature of interest		
	Personal	Family	Corporate
Ms. Yvonne Han Yi Yeung	24,649,272	257,520,895 (Note 1)	—
Mr. Steven Wang Tai Li	516,330	—	—
Ms. Miranda Chi Mei Chan	39,288	—	—

Note 1: Mr. Kenneth Chi Shing Cheung is the sole shareholder of K.Y. Limited, which was the beneficial owner of 51,520,243 shares of the Company. In addition, Mr. Kenneth Chi Shing Cheung is deemed to be interested in another 2,954,685 shares indirectly held by K.Y. Limited through its wholly-owned subsidiary, K.C. (Investment) Limited.

Note 2: 400,000 shares held by K.Y. Limited were charged to C.A. Pacific Finance Limited, which is in liquidation. Mr. Kenneth Chi Shing Cheung cannot ascertain whether the charged shares are still registered in the name of the pledgee and subject to their right of redemption.

Note 3: Mr. Kenneth Chi Shing Cheung is the spouse of Ms. Yvonne Han Yi Yeung. Ms. Yvonne Han Yi Yeung is accordingly deemed to have interest in 257,520,895 shares of the Company that Mr. Kenneth Chi Shing Cheung is deemed to have interest in.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.



DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

On 30 October 2000, Iwana Company Limited ("Iwana") a wholly-owned subsidiary of the Group, agreed to disposed of 15 shares in Gold Cloud Agents Limited ("Gold Cloud") (representing the Group's entire interest in Gold Cloud) for HK\$38,000,000 in cash. An amount of HK\$3,000,000 (representing approximately 10 per cent. of the profit reported by the Group) was paid by Iwana to Mr. Kenneth Chi Shing Cheung as a reward for his contribution in the transaction. The commission was paid during the current financial year.

SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, the detailed disclosures relating to the Company's share option scheme have been moved to note 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's issued share capital
Mr. Kenneth Chi Shing Cheung (<i>Note</i>)	282,170,167	17%
Ms. Yvonne Han Yi Yeung (<i>Note</i>)	282,170,167	17%
Mr. Wen Lin	165,050,000	10%

Note: Refer to notes 2 and 3 under section "Directors' interests in shares" above.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.



MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's single largest and five largest customers combined accounted for 18% and 43%, respectively, of the Group's total sales, whereas purchases from the Group's single largest and five largest suppliers combined accounted for 16% and 46%, respectively, of the Group's total purchases.

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

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied 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 throughout the financial year ended 31 March 2003 save that the independent non-executive directors are not appointed on specific terms as required by paragraph 7 of the Code but subject to retirement by rotation in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

Ernst & Young will retire at the forthcoming annual general meeting. A resolution will be proposed to appoint auditors and to authorise the board of directors to fix their remuneration.

ON BEHALF OF THE BOARD

Johnny Wing Fai Tam

Managing Director

Hong Kong
30 July 2003