

The directors present their annual report and the audited financial statements for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 13 to the financial statements.

RESULTS

The results of the Group for the year ended 30 June 2003 are set out in the consolidated income statement on page 12.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest customer of the Group by itself and together with the next four largest customers accounted for about 35% and 92% respectively of the Group's turnover.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for about 70% and 93% respectively of the Group's purchases.

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

INVESTMENT PROPERTIES

Details of the investment properties of the Group as at 30 June 2003 are set out on page 30 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 19 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 20 to the financial statements.

DIRECTORS

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

Executive directors:

Mr. Zhang Yang

Mr. Lam Cheung Shing, Richard

Mr. Yu Rui

(appointed on 26 November 2002)

Mr. Jiang Feng

(resigned on 22 November 2002)

Independent non-executive directors:

Mr. Tam Sun Wing

Mr. Tso Shiu Kei, Vincent

The directors of the Company, including the executive and independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with clauses 87 (1) and 87(2) of the Company's Bye-laws.

Mr. Zhang Yang had entered into a service contract with the Company for a fixed term of three years from 10 December 2001.

Save as disclosed above, no director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2003, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares held as corporate interests <i>(Note)</i>
Mr. Zhang Yang	750,000,000

Note: These shares were beneficially owned by Sourcebase Developments Limited, a company beneficially owned by Mr. Zhang Yang.

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

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 24 to the financial statements.

No share options were granted or exercised under the option scheme during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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 none of the directors or the chief executive, or 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 during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Save as for the transactions disclosed in note 26 to the financial statements, 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

Save as Mr. Zhang Yang's interests in the shares of the Company referred to in the section head "Directors' Interests in Shares" disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest in 5% or more in the issued share capital of the Company as at 30 June 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 30 June 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.

AUDITORS

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

By order of the Board

Zhang Yang
Chairman

Hong Kong, 16 October 2003