

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, while the Group is principally engaged in investing in listed and unlisted companies established and/or doing business in Hong Kong and other parts of the People's Republic of China (the "PRC"). Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's loss for the year ended 30 June 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 15 to 34.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last three financial year/period, as extracted from the audited financial statements, is set out below.

| | Year ended 30 June 2003 HK\$ | Year ended 30 June 2002 HK\$ | Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$ |
|--|---------------------------------------|---------------------------------------|---|
| Turnover | <u>3,503,172</u> | <u>2,891,700</u> | <u>–</u> |
| Net loss for the year/period attributable to shareholders | <u>(18,156,574)</u> | <u>(4,971,570)</u> | <u>(467,715)</u> |
| | 2003 HK\$ | As at 30 June 2002 HK\$ | 2001 HK\$ |
| TOTAL ASSETS | <u>15,496,763</u> | 29,981,837 | 35,141,150 |
| TOTAL LIABILITIES | <u>(4,147,735)</u> | (476,235) | (663,978) |
| | <u>11,349,028</u> | <u>29,505,602</u> | <u>34,477,172</u> |

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 12 to the financial statements.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$7,349,028 (2002: HK\$25,505,602). Under the Companies Law (2000 Revision) of the Cayman Islands concerning the application of the share premium account, this amount is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Ms. Chiu Kam Hing, Kathy (*Chairman*)

Mr. Pong Po Lam, Paul

Ms. Ho Chiu King, Pansy

Mr. Fang Wei An, Anthony

(resigned on 19 September 2002)

Non-executive directors:

Mr. Lau Sak Hong

Dr. Chan Po Fun, Peter

Independent non-executive directors:

Dr. Lee Tung Hai, Leo

Dr. Cheung Wai Bun, Charles

In accordance with article 87(3) of the Company's articles of association, Mr. Lau Sak Hong, Dr. Lee Tung Hai, Leo and Dr. Cheung Wai Bun, Charles will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors but not including the chairman of the board of directors and/or the managing director of the Company, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 8 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Ms. Chiu Kam Hing, Kathy has entered into a service contract with the Company for an initial term of three years commencing on 8 June 2001, the date on which the dealing in the shares in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") commenced. The service contract may be terminated by either party thereto giving to the other three months' prior notice in writing, providing that the notice period shall not expire at any time during the first year.

Apart from the foregoing, 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 of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Except for the related party and connected transactions which are disclosed below and in note 24 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2003, the interests and short positions of the directors and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

1. Interests in shares

| Name of director | Notes | Nature of interest | Number of ordinary shares |
|--------------------------|-------|--------------------|---------------------------|
| Ms. Chiu Kam Hing, Kathy | (a) | Corporate | 5,000,000 |
| Ms. Ho Chiu King, Pansy | (b) | Corporate | 3,000,000 |
| Mr. Lau Sak Hong | (c) | Corporate | 500,000 |

Notes:

- (a) The shares are held by Good Win Holdings Limited, a company wholly-owned by Ms. Chiu Kam Hing, Kathy.
- (b) The shares are held by Bond Dollar Assets Limited, a company wholly-owned by Ms. Ho Chiu King, Pansy.
- (c) The shares are held by Typical Triumph Corp., which is wholly-owned by Starlight International Holdings Limited, a company listed on the Stock Exchange, which is in turn owned as to approximately 31.9% by Mr. Lau Sak Hong and his associates.

2. Interests in underlying shares

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 associates, or were any such rights exercised by them; nor 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.

Except as disclosed above and under the heading "Substantial shareholders" below, at the balance sheet date, none of the directors and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 20 to the financial statements.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

At 30 June 2003, the following persons had interests of 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name | Notes | Number of shares held | Percentage of the Company's issued share capital |
|----------------------------|-------|-----------------------|--|
| Good Win Holdings Limited | (a) | 5,000,000 | 12.5 |
| Bond Dollar Assets Limited | (b) | 3,000,000 | 7.5 |

Notes:

- (a) Good Win Holdings Limited is a company wholly-owned by Ms. Chiu Kam Hing, Kathy, the chairman and an executive director of the Company, as detailed under "Directors' interests in shares" above.
- (b) Bond Dollar Assets Limited is a company wholly-owned by Ms. Ho Chiu King, Pansy, an executive director of the Company, as detailed under "Directors' interests in shares" above.

RELATED PARTY AND CONNECTED TRANSACTIONS

Pursuant to the Investment Management Agreement dated 24 May 2001 between the Company and Glory Investment Assets Limited (the "Investment Manager"), the Investment Manager agreed to provide the Company with investment management services and general administrative services after it became registered as an investment adviser under the Securities Ordinance. The Investment Manager was registered as an investment adviser under the Securities Ordinance on 19 June 2001 for a three-year period commencing on 5 July 2001, the date immediately after the expiration of the term of the Interim Investment Management Agreement. Under the Investment Management Agreement, the Investment Manager is entitled to a monthly management fee payable in advance at 2.5% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of an increase in net asset value of the Group over a financial year or period.

Pursuant to a supplemental agreement to the Investment Management Agreement dated 25 June 2002 entered into between the Company and the Investment Manager (the "Supplemental Agreement"), the monthly management fee payable in advance was reduced from 2.5% per annum to 2.0% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The Supplemental Agreement became effective on 2 August 2002.

During the year, an investment management fee amounting to HK\$530,000 was paid to the Investment Manager for services rendered.

Ms. Chiu Kam Hing, Kathy, the chairman and an executive director of the Company, has a 30% equity interest in the Investment Manager and is one of the directors of the Investment Manager. Accordingly, this arrangement constitutes a connected transaction under Chapter 14 of the Listing Rules and is also a related party transaction under the accounting standards issued by the Hong Kong Society of Accountants, as disclosed in note 24 to the financial statements.

REPORT OF THE DIRECTORS

RELATED PARTY AND CONNECTED TRANSACTIONS (*Continued*)

In accordance with the requirements of the waiver granted by the Stock Exchange, the independent non-executive directors of the Company confirm that:

- (a) the above transaction has been entered into in the ordinary and usual course of the business of the Company and is conducted in accordance with the terms of the Investment Management Agreement;
- (b) the above transaction has been entered into on normal commercial terms and on an arm's length basis; and
- (c) the above transaction has been entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

Details of related party transactions of the Group are set out in note 24 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 25 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the annual report, except that the independent non-executive directors have not been appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established with written terms of reference, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Group. The Committee comprises the two independent non-executive directors. Two audit committee meetings were held during the year and prior to the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chiu Kam Hing, Kathy
Chairman

Hong Kong
24 October 2003

2003
ANNUAL REPORT