

## Report of the Directors

The directors of the Company (“Directors”) present herewith their report and the audited accounts of the Company for the year ended 31 March 2003.

### Principal Activities

The Company is an investment holding company. The principal activities and other particulars of its principal subsidiaries are set out in note 39 to the accounts.

### Change of Company Name

Pursuant to a special resolution passed on 27 November 2002, the Company adopted “上海華博控股有限公司” as the new Chinese name of the Company for identification purpose. The new Chinese name became effective on 27 January 2003.

### Financial Statements and Dividends

The results of the Group for the year ended 31 March 2003 and the state of the Company’s and the Group’s affairs as at that date are set out in the accounts on pages 24 to 26.

The Directors do not recommend payment of any dividend in respect of the year ended 31 March 2003.

### Segmental Information

The analysis of the consolidated turnover and contribution to loss from operations by principal activity for the year ended 31 March 2003 is set out in note 4 to the accounts. As over 90% of the Group’s revenue and assets are derived from operations carried out in the People’s Republic of China including Hong Kong, no geographical analysis is presented.

### Reserves

The movements of the reserves of the Company and the Group during the year are set out in note 27 to the accounts and in the consolidated statement of changes in equity on page 27 respectively. As at 31 March 2003, the Company did not have any reserve available for distribution. Nevertheless, the Company’s share premium account may be distributed in the form of fully paid bonus shares subject to the conditions as provided by the Companies Act 1981 of Bermuda (as amended).

### Fixed Assets

The movements in the fixed assets during the year are set out in note 13 to the accounts.

### Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 25 to the accounts.

## Report of the Directors

### Convertible Debts

Details of the convertible debts issued by the Group and the exercise of the conversion rights under the debts during the year are set out in note 23 to the accounts.

### Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

### Purchase, Sale and Redemption of the Company's Listed Securities

During the year, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### Redemption, Purchase and Cancellation of Redeemable Securities

During the year, 14,178,179 convertible preference shares were mandatorily redeemed and replaced by a debt of approximately HK\$13 million. As at 31 March 2003, there were no outstanding convertible preference shares.

Save as disclosed above, there were no redemptions or purchases or cancellations by the Company or any of its subsidiaries of its redeemable securities.

### Borrowings

Details of borrowings of the Group and the Company as at 31 March 2003 are set out in notes 22 and 23 to the accounts.

## Report of the Directors

### Five Year Financial Summary

The following table summarises the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited accounts of the Group and reclassified as appropriate:—

	Year ended 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
	<i>(As restated)</i>				
<b>Results</b>					
Turnover	<u>6,933</u>	<u>22,844</u>	<u>165,343</u>	<u>58,079</u>	<u>221,549</u>
Operating loss after finance costs	<u>(57,478)</u>	<u>(95,693)</u>	<u>(254,464)</u>	<u>(43,549)</u>	<u>(99,466)</u>
Share of profit/(loss) of associates	<u>63</u>	<u>53</u>	<u>(973)</u>	<u>—</u>	<u>(65)</u>
Loss before taxation	<u>(57,415)</u>	<u>(95,640)</u>	<u>(255,437)</u>	<u>(43,549)</u>	<u>(99,531)</u>
Taxation	<u>(33)</u>	<u>(77)</u>	<u>(2,541)</u>	<u>(7)</u>	<u>(509)</u>
Loss after taxation	<u>(57,448)</u>	<u>(95,717)</u>	<u>(257,978)</u>	<u>(43,556)</u>	<u>(100,040)</u>
Minority interests	<u>—</u>	<u>(5,436)</u>	<u>14,778</u>	<u>(6)</u>	<u>12,089</u>
Loss attributable to the shareholders	<u>(57,448)</u>	<u>(101,153)</u>	<u>(243,200)</u>	<u>(43,562)</u>	<u>(87,951)</u>
<b>Assets and liabilities</b>					
Total assets	<u>44,656</u>	<u>39,072</u>	<u>98,465</u>	<u>185,733</u>	<u>121,702</u>
Total liabilities and minority interests	<u>137,488</u>	<u>89,355</u>	<u>80,973</u>	<u>142,839</u>	<u>328,762</u>
Net (liabilities)/assets	<u>(92,832)</u>	<u>(50,283)</u>	<u>17,492</u>	<u>42,894</u>	<u>(207,060)</u>

### Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	19.36%	
Five largest customers in aggregate	38.81%	
The largest supplier		15.69%
Five largest suppliers in aggregate		43.97%

## Report of the Directors

### Major Customers and Suppliers *(continued)*

As far as the Directors are aware, none of the Directors, their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), and shareholders of the Company owned more than 5% of the Company's share capital had an interest in any of the Group's five largest suppliers or customers for the year ended 31 March 2003.

### Directors

The Directors who held office during the year and up to the date of this report were:—

#### Executive Directors:—

Wong Chong Kwong, Derek ( <i>Chairman</i> )	— appointed on 29 October 2003
Leung Tze Hang, David ( <i>Managing Director</i> )	
Law Chuen Lam, Edward	
Po Kam Hi, John	
Au-Yeung Yok Cho	
Ha Kee Choy, Eugene	— ceased to be non-executive director and appointed as executive director on 11 November 2003
Lau Cheuk Hung, Terence	— appointed as alternate to Law Chuen Lam, Edward on 17 May 2002
Ding Zhiming	— appointed on 5 September 2002 and resigned on 29 October 2003
Koo Fook Sun, Louis	— appointed on 4 June 2002 and resigned on 6 March 2003
Lee Ying Wah, Alfred Augustine	— alternate to Law Chuen Lam, Edward, resigned on 17 May 2002

#### Non-Executive Director:—

Choi Koon Ming

#### Independent Non-Executive Directors:—

Leung Ka Kui, Johnny  
Koo Tsang Hoi

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Wong Chong Kwong, Derek and Mr. Ha Kee Choy, Eugene will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election as executive directors of the Company.

In accordance with Bye-law 99(A) (supplemented by Bye-law 182(ii)) of the Company's Bye-laws, Mr. Po Kam Hi, John, will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election as executive director of the Company.

## Report of the Directors

### Directors (*continued*)

In accordance with Bye-Law 99(A) (supplemented by Bye-Law 182(ii)) of the Company's Bye-Laws, Mr. Leung Ka Kui, Johnny and Mr. Koo Tsang Hoi will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election as independent non-executive directors of the Company.

### Particulars of Directors

#### **Executive Directors**

Mr. Wong Chong Kwong, Derek, aged 35, Chairman of the Company, joined the Group in 2003. Mr. Wong graduated from Boston University in the U.S.A. with a bachelor of science degree in manufacturing engineering. He has 13 years of experience in managing manufacturing and trading business in Asia.

Mr. Leung Tze Hang, David, aged 47, Managing Director of the Company, joined the Group in 1996. Mr. Leung has over 23 years of experience in property development and investment. He holds a bachelor of science degree in civil engineering from the University of Leeds in the United Kingdom.

Mr. Law Chuen Lam, Edward, aged 41, joined the Group in 1996. Mr. Law holds a degree in hotel management from the University of Hawaii. After serving the Hyatt Hotel Group in Hong Kong, Macau and Mainland China, Mr. Law joined Jones Lang Wootton. Mr. Law has acquired over 18 years of experience in property services and hotel management.

Mr. Au-Yeung Yok Cho, aged 51, joined the Group in 1986. He has over 32 years of experience in the shipping industry and freight forwarding business.

Mr. Po Kam Hi, John, aged 47, joined the Group in 1996. He holds a master degree in business administration from the University of East Asia. Mr. Po has over 26 years of experience in materials planning, procurement and logistics management. Mr. Po has been the founding member and president of International Procurement Management Association of Hong Kong Limited since 1989.

Mr. Ha Kee Choy, Eugene, aged 46, first joined the Group in 1996. He is a fellow member of The Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. Mr. Ha holds a master degree in business administration and has over 15 years of experience in finance and banking industry.

#### **Non-Executive Director**

Mr. Choi Koon Ming, aged 35, holds a bachelor of arts degree from the University of British Columbia. He has extensive experience in corporate finance, property mortgage, real estate development and property investment.

## Report of the Directors

Particulars of Directors (*continued*)

### **Independent Non-Executive Directors**

Mr. Leung Ka Kui, Johnny, aged 46, is a qualified solicitor and is a Notary Public and China Appointed Attesting Officer. He has over 18 years of experience in the legal field and is the senior partner of Messrs. Johnny K.K. Leung & Co., Solicitors and Notaries. Mr. Leung holds a bachelor of laws degree from the University of London.

Mr. Koo Tsang Hoi, aged 48, is a practising solicitor. He has over 14 years of experience in the legal field and is a partner of Messrs. T. H. Koo and Associates, Solicitors. Mr. Koo holds a bachelor degree in social science awarded by The Chinese University of Hong Kong. He is also a visiting lecturer of The Hong Kong Polytechnic University and SPACE, University of Hong Kong.

### **Alternate Director**

Mr. Lau Cheuk Hung, Terence (alternate director to Mr. Law Chuen Lam Edward), aged 44, obtained his science degree at the University of New South Wales, Australia in 1983. He worked as an IT professional for IBM World Trade Corporation prior to changing to property field. Mr. Lau has over 13 years of experience in property marketing and is qualified and registered as Licensed Estate Agent in New South Wales, Australia and Hong Kong. He is also the Chairman of Information Technology Committee of Society of Hong Kong Real Estate Agents Ltd.

### **Directors' Service Contracts**

Mr. Leung Tze Hang, David has entered into a service agreement with the Company as executive director. The Company may terminate the agreement by serving twenty-four (24) months' prior written notice to Mr. Leung.

Save as disclosed above, as at 31 March 2003, there were no existing or proposed service contracts between any of the Directors and any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

### **Directors' Interests in Contracts**

Except for as disclosed under the heading "Connected Transactions" on page 16 and "Related Party Transactions" in note 32 to the accounts, no other contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which any Director had a material interest, subsisted at the end of the year or at any time during the year.

## Report of the Directors

### Particulars of Shares Held by Directors, Chief Executives and Associates

As at 31 March 2003, the Directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:—

#### (a) The Company

	Number of ordinary shares beneficially held		
	Personal interest	Family interest	Corporate interest
Leung Tze Hang, David	6,167,728	—	—
Law Chuen Lam, Edward	1,228,757	—	—
Au-Yeung Yok Cho	231,462	—	—
Po Kam Hi, John	3,238,700	—	—
Lau Cheuk Hung, Terence	1,773	—	—

#### (b) Total Logistics Services Limited

	Number of ordinary shares beneficially held		
	Personal interest	Family interest	Corporate interest
Po Kam Hi, John	—	—	4,004,800 (Note)

*Note:* Total Logistics Services Limited is an associated corporation, within the meaning of the SDI Ordinance, of the Company. These ordinary shares are held by New Mileage Limited, a company beneficially owned by Mr. Po Kam Hi, John.

Save as disclosed above, none of the Directors, chief executives or their associates had any beneficial interests in the share capital of the Company or its associated corporation required to be disclosed pursuant to the SDI Ordinance and the Model Code as at 31 March 2003 as recorded in the register of directors' share interests.

## Report of the Directors

### Directors' and Chief Executives' Benefits from Rights to Acquire Shares or Debentures

Details of Directors' and chief executives' interest in options to acquire shares of the Company are set out under the heading "Share Option Scheme".

Save as disclosed under the heading "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 13 August 1998 (the "Old Option Scheme"), the Directors might grant options to any employee or Director of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein.

On 13 August 2001, the Old Option Scheme expired. Since then, no further share options were granted thereunder but all the outstanding share options granted prior to such expiration continue to be valid and exercisable in accordance therewith, and only those provisions of the Old Option Scheme which are required to give effect to the outstanding share options continue to remain in force for such purpose. No share options were exercised pursuant to the Old Option Scheme during the year ended 31 March 2003.

Details of the movements of the options granted to the Directors and employees of the Group pursuant to the Old Option Scheme during the year ended 31 March 2003 are set out below:—

Name	Date of grant	Exercise period	Exercise price (adjusted) (note 3)	Number of ordinary shares to be issued upon exercise of the share options		
				Balance as at 1 April 2002 (adjusted) (note 3)	Lapsed/Expired during the year (adjusted) (note 3)	Balance as at 31 March 2003
<b>Directors</b>						
Leung Tze Hang, David	5 June 2000	6 September 2000 to 4 June 2003	HK\$2.30	2,600,000	—	2,600,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	700,000	—	700,000
Law Chuen Lam, Edward	5 June 2000	6 September 2000 to 4 June 2003	HK\$2.30	1,800,000	—	1,800,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	500,000	—	500,000
Au-Yeung Yok Cho	5 June 2000	6 September 2000 to 4 June 2003	HK\$2.30	1,000,000	—	1,000,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	500,000	—	500,000



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### Share Option Scheme (continued)

Name	Date of grant	Exercise period	Exercise price (adjusted) (note 3)	Number of ordinary shares to be issued upon exercise of the share options		
				Balance as at 1 April 2002 (adjusted) (note 3)	Lapsed/Expired during the year (adjusted) (note 3)	Balance as at 31 March 2003
Po Kam Hi, John	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	500,000	—	500,000
Lau Cheuk Hung, Terence	17 August 2000	18 November 2000 to 16 August 2003	HK\$1.55	120,000	—	120,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	300,000	—	300,000
Chan Sing Fai (Note 1)	5 June 2000	6 September 2000 to 4 June 2003	HK\$2.30	2,600,000	2,600,000	—
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	700,000	700,000	—
Fong Chun Fat (Note 1)	5 June 2000	6 September 2000 to 4 June 2003	HK\$2.30	1,000,000	1,000,000	—
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	500,000	500,000	—
Chan Wing Fai (Note 1)	21 January 2000	22 April 2000 to 20 January 2003	HK\$9.40	800,000	800,000	—
	5 June 2000	6 September 2000 to 4 June 2003	HK\$2.30	400,000	400,000	—
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	500,000	500,000	—
Lee Ying Wah, Alfred Augustine (Note 2)	21 January 2000	22 April 2000 to 20 January 2003	HK\$9.40	80,000	80,000	—
	27 April 2000	28 July 2000 to 26 April 2003	HK\$2.70	120,000	120,000	—
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	300,000	300,000	—
				<u>15,020,000</u>	<u>7,000,000</u>	<u>8,020,000</u>
<b>Employees</b>	21 January 2000	22 April 2000 to 20 January 2003	HK\$9.40	856,000	856,000	—
	27 April 2000	28 July 2000 to 26 April 2003	HK\$2.70	2,520,000	1,520,000	1,000,000
	3 May 2000	4 August 2000 to 2 May 2003	HK\$2.90	40,000	40,000	—
	5 June 2000	6 September 2000 to 4 June 2003	HK\$2.30	40,000	40,000	—
	17 August 2000	18 November 2000 to 16 August 2003	HK\$1.55	400,000	400,000	—
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.50	2,500,000	1,600,000	900,000
				<u>6,356,000</u>	<u>4,456,000</u>	<u>1,900,000</u>
<b>Total</b>				<u>21,376,000</u>	<u>11,456,000</u>	<u>9,920,000</u>

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### Share Option Scheme (*continued*)

#### Notes:

1. Messrs. Chan Sing Fai, Fong Chun Fat and Chan Wing Fai resigned as directors of the Company with effect from 1 December 2001. These options were lapsed and cancelled on 1 June 2002 which was the date of the expiration of six months after the date of their cessation of employment with the Company.
2. Mr. Lee Ying Wah, Alfred Augustine resigned as alternate director of Mr. Law Chuen Lam, Edward with effect from 17 May 2002. These options were lapsed and cancelled on 1 October 2002 which was the date of the expiration of six months after the date of his cessation of employment with the Company.
3. Pursuant to resolutions passed by the shareholders of the Company at a special general meeting on 27 November 2002, the Company underwent a capital reorganization, which included share consolidation, capital reduction and share subdivision (details of the capital reorganisation are set out in note 25 to the accounts). Upon completion of the capital reorganisation, the exercise prices and the number of ordinary shares to be issued upon exercise of the outstanding options were adjusted in accordance with the terms stipulated in the Old Option Scheme.

On 12 August 2002, a new share option scheme ("New Option Scheme") was adopted to provide employees and Directors of the Group with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Pursuant to the New Option Scheme the Directors are authorized to grant options to any employee or Director of the Group to subscribe for ordinary shares in the Company at any price per ordinary share which is at least the highest of (i) the closing price of the shares of the Company on The Stock Exchange on the date of granting the options; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five business days immediately preceding the date of the grant of the options; and (iii) the nominal value of the shares of the Company. The maximum number of shares in respect of which options may be granted under the New Option Scheme (when aggregated with any shares subject to any other share option schemes of the Company) shall not exceed 10% of the shares in issue as at the date of approval of the New Option Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. As at the date of this annual report, the maximum number of shares available for issue under the New Option Scheme is 32,339,386, representing approximately 7.25% of the issued share capital of the Company. The maximum number of shares in respect of the options granted to each eligible person under the New Option Scheme (when aggregated with any shares subject to any other share option schemes of the Company) in any twelve months period must not exceed 1% of the shares in issue unless approved by the shareholders in general meeting. In respect of any particular option, the Directors may in their absolute discretion determine the period within which an option may be exercised provided that such period must expire no later than 10 years from the date on which the grant of an option is offered to the participant. The cash consideration to be paid for each grant of option is HK\$1, with full payment of the exercise price to be made upon exercise of an option. The New Option Scheme shall be valid and effective for a period of 10 years from 12 August 2002, the date on which it was approved by resolution of the Company in general meeting. No such options have been granted to any person since its adoption as required to be disclosed under the Listing Rules.

## Report of the Directors

### Substantial Shareholders' Interests in the Share Capital of the Company

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that no shareholders were interested in 10% or more of the issued share capital of the Company as at 31 March 2003.

### Connected Transactions

The following transactions constitute connected transactions of the Group and require disclosure in the annual report pursuant to Chapter 14 of the Listing Rules:

- (a) A consultancy agreement dated 23 November 2001 was entered into between the Company and Finnex Development Limited ("Finnex"), a company in which Mr. Chan Sing Fai, an ex-executive director of the Company, is the controlling shareholder. Pursuant to the consultancy agreement, Finnex agreed to provide consultancy services assigned to it by the board of directors of the Company in consideration of a monthly remuneration of HK\$80,000 during the period from 1 March 2002 to 31 August 2002. The total remuneration paid and payable during the year was HK\$400,000.
- (b) A sale and purchase agreement ("Agreement") dated 28 May 2002 was entered into among Onelink Investment Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, the Company (as warrantor) and SIIIC Finance Company Limited (the "Vendor") in which the Vendor agreed to sell and the Purchaser agreed to purchase the properties at Unit No. 42 and all that portion forming the entrance hall on the ground floor of Hunghom Commercial Centre, Nos 37-39 Ma Tau Wai Road, Kowloon (the "Property") for investment purpose at a consideration of HK\$15,000,000, which was satisfied (i) partly by way of cash in the sum of HK\$4,000,000; (ii) partly by issuing a convertible bond in an aggregate principal amount of HK\$5,000,000 with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of HK\$0.01, subject to adjustment; and (iii) the balance of HK\$6,000,000 by issuing 600,000,000 ordinary shares of HK\$0.01 of the Company. The Agreement was completed on 9 September 2002.

The Vendor and its beneficial owners are independent third parties not connected to the Directors, chief executives or substantial shareholders of the Company, or its subsidiaries or associates, as defined in the Listing Rules. The Agreement constitutes a connected transaction of the Company as a mortgage was created by Pacific System Development Limited, the legal owner of the Property, to secure a loan advanced to a company in which Mr. Leung Tze Hang David, a Director of the Company, is interested in 90% of its capital.

Save as disclosed above, the Directors confirmed that no other connected transactions had been entered into by the Group during the year ended 31 March 2003.

## Report of the Directors

### Major Events during the Year

Save as disclosed under the heading "Connected Transactions" on page 16, the following are the major events occurred during the year:—

- (a) On 30 April 2002, the Company entered into a subscription agreement ("Subscription Agreement") with Topsmart Investment Limited ("Topsmart"), an independent third party, pursuant to which the Company agreed to issue a convertible bond in an aggregate principal amount of HK\$4,000,000 to Topsmart with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of the lower of (i) HK\$0.01 per ordinary share and (ii) 80% of the ten-day average closing price per ordinary share ending on the trading day immediately preceding the date of conversion, subject to adjustment. The consideration of HK\$4,000,000 was satisfied by Topsmart partly by cash of approximately HK\$1,940,000 and the balance by the total principal amount of HK\$2,000,000 and the total accrued interest owing by the Company under the convertible bond issued by the Company to Topsmart on 11th May 2001. The Subscription Agreement was completed on 30 May 2002.
- (b) On 10 July 2002, the Company entered into 2 subscription agreements with Merchant Partners Limited and China Units Enterprises Limited (collectively the "Subscribers") respectively, all on substantially the same terms, pursuant to which the Company agreed to issue a convertible bond in an aggregate principal amount of HK\$3,000,000 to each of the Subscribers with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of the lower of (i) HK\$0.01 per ordinary share and (ii) 80% of the ten-day average closing price per ordinary share ending on the trading day immediately preceding the date of conversion, subject to adjustment. The Subscribers and their ultimate beneficial owners are independent parties of the Group. The subscription agreements were completed on 30 July 2002.
- (c) On 22 July 2002, Cybermall Limited ("Cybermall"), a wholly-owned subsidiary of the Company, entered into an agreement with Precise Global Investments Limited ("Precise Global") whereby Cybermall agreed to acquire the entire interest in Sino Top Technology Limited, which in turn holds 46.67% equity interest in Shanghai Liantongshihua Mobile Information and Network Co., Ltd., at a total price of HK\$13,200,000 which was satisfied as to HK\$6,600,000 by the issue of 660,000,000 ordinary shares at HK\$0.01 per share and as to HK\$6,600,000 by the issue of convertible bond with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of the lower of (i) HK\$0.01 per ordinary share and (ii) 80% of the ten-day average closing price per ordinary share ending on the trading day immediately preceding the date of conversion, subject to adjustment. The acquisition constitutes a notifiable transaction and was subject to the approval by the shareholders of the Company. As a result of the Capital Reorganisation as disclosed under the heading "Share Capital" in note 25 to the accounts, 660,000,000 ordinary shares of HK\$0.01 each were consolidated into 13,200,000 ordinary shares at the price HK\$0.50 each. The consolidated shares, together with the convertible bond, were issued to Precise Global on the completion date of 27 January 2003.

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### Major Events during the Year *(continued)*

(d) On 25 July 2002, AWT Cyber Investment Group Limited ("AWT Cyber"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with iShowFlat Limited ("ISF"). Pursuant to the agreement, AWT Cyber agreed to subscribe 2,300,000 ordinary shares of HK\$1.00 each in ISF, which represents approximately 53.03% of the enlarged issued share capital of ISF, at a consideration of HK\$2,300,000 in cash, payable on or before 31 December 2002.

Pursuant to the two supplemental agreements signed between AWT Cyber and ISF on 16 December 2002 and 31 March 2003 respectively, the completion of the agreement has been further extended to 31 December 2003.

(e) An agreement dated 5 September 2002 was entered into between the Company and Mr. Zhang Xiao Feng ("Mr. Zhang"). Pursuant to the agreement, 31,500,000 ordinary shares of the Company were issued to Mr. Zhang at a price of HK\$0.15 per ordinary share. The agreement was completed on 4 December 2002.

(f) An agreement dated 5 September 2002 between the Company and Mr. Qian Zhen Hua ("Mr. Qian") in respect of the subscription of 31,500,000 ordinary shares of the Company by Mr. Qian. The agreement became unconditional by the end of November 2002 but Mr. Qian failed to complete the subscription in accordance with the terms of the agreement. The agreement has lapsed.

(g) On 28 November 2002, the Company effected a capital reorganisation, details of which are set out in note 25B(ii) to the accounts.

### Post Balance Sheet Date Events

Details of significant events occurred after the balance sheet date are set out in note 35 to the accounts.

### Number of Employees and Remuneration Policies

Including the Directors, as at 31 March 2003, the Group employed a total of 19 full-time employees. Remuneration packages comprise salary, double pay and year-end bonuses based on individual merits.

### Compliance with the Code of Best Practice of the Listing Rules

During the year ended 31 March 2003, the Code of Best Practice has been complied with by the Company except that non-executive Directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules.

## Report of the Directors

### Audit Committee

The audit committee of the Company presently comprises two independent non-executive Directors and one non-executive Director.

The Audit Committee reviewed the results announcements and discussed with the Board significant matters relating to the financial reporting of the Group.

### Auditors

There were no changes in auditors of the Group in any of the preceding three years.

A resolution to reappoint the retiring auditors, Graham H. Y. Chan & Co. will be put at the forthcoming annual general meeting.

On behalf of the Board

**Leung Tze Hang, David**

*Managing Director*

Hong Kong, 22 December 2003