

The directors submit their report together with the audited accounts of the Company and its subsidiaries (collectively the "Group") for the year ended 31st March, 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 32 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 25 of this annual report.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the accounts.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders. The Company has no distributable reserves at 31st March, 2003 and 2002.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 14 to the accounts.

PROPERTIES

Details of the Group's properties are set out on page 76 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 to the accounts. No pre-emptive rights exist in Bermuda where the Company was incorporated.

BORROWINGS

Details of the Group's bank loans are set out in note 24 to the accounts.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 74 and 75 of this annual report.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS

On 28th May, 1998, a share option scheme (the "Existing Scheme") was approved at a Special General Meeting of the Company. At the Annual General Meeting of the Company held on 30th August, 2002, a new share option scheme (the "New Scheme") was approved and adopted by the shareholders of the Company and the Existing Scheme were terminated on the same day.

The purpose of the share option schemes are to enable the Board to grant options to individual as incentive or rewards for their contribution or potential contribution to the Group. Notwithstanding the termination of the Existing Scheme, the outstanding options previously granted under the Existing Scheme shall remain valid and exercisable in accordance with the provisions of the Existing Scheme.

At 31st March, 2003, there was 87,650,000 options outstanding which are exercisable subject to the terms of the Existing Scheme. No options were granted under the New Scheme during the year ended 31st March, 2003.

SHARE OPTIONS (Continued)

The following directors and employees hold options to subscribe for shares in the Company pursuant to the Existing Scheme adopted by the Company:

	Date of grant	Number of options held at 1st April, 2002	Number of options cancelled during the year	Number of options held at 31st March, 2003	Exercise Price HK\$	Exercisable from	Exercisable until
Directors							
Ms. Chen Xiao Ying	13th July, 2000	21,000,000	—	21,000,000	0.9900	13th January, 2001	27th May, 2008
	13th July, 2000	21,000,000	—	21,000,000	0.9900	13th July, 2001	27th May, 2008
	13th July, 2000	28,000,000	—	28,000,000	0.9900	13th July, 2002	27th May, 2008
Sub-total		70,000,000	—	70,000,000			
Employees							
	13th July, 2000	1,065,000	—	1,065,000	0.9900	13th January, 2001	27th May, 2008
	13th July, 2000	1,065,000	—	1,065,000	0.9900	13th July, 2001	27th May, 2008
	13th July, 2000	1,420,000	—	1,420,000	0.9900	13th July, 2002	27th May, 2008
	20th November, 2000	2,400,000	—	2,400,000	0.7920	20th November, 2001	27th May, 2008
	20th November, 2000	2,400,000	—	2,400,000	0.7920	20th November, 2002	27th May, 2008
	20th November, 2000	3,200,000	—	3,200,000	0.7920	20th November, 2003	27th May, 2008
	9th January, 2001	3,600,000	3,600,000	—	0.5660	9th July, 2001	N/A
	9th January, 2001	3,600,000	3,600,000	—	0.5660	9th January, 2002	N/A
	9th January, 2001	4,800,000	4,800,000	—	0.5660	9th January, 2003	N/A
	20th March, 2001	1,830,000	—	1,830,000	0.3304	13th January, 2003	27th May, 2008
	20th March, 2001	1,830,000	—	1,830,000	0.3304	13th July, 2003	27th May, 2008
	20th March, 2001	2,440,000	—	2,440,000	0.3304	13th July, 2004	27th May, 2008
Sub-total		29,650,000	12,000,000	17,650,000			
Total		99,650,000	12,000,000	87,650,000			

DIRECTORS

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

Executive directors:

Ms. Chen Xiao Ying (Executive Chairman)	
Mr. Luo Ning (Executive Vice Chairman)	(appointed on 1st September, 2002)
Mr. Sun Yalei	(appointed on 1st September, 2002)
Mr. Zhang Lian Yang	(appointed on 1st September, 2002)
Mr. Zhang Yue (Chief Executive Officer)	(appointed on 1st September, 2002)
Mr. Li Qingpu	(appointed on 1st September, 2002 and passed away on 4th January, 2003)
Ms. Chen Changjuan	(resigned on 1st September, 2002)

Non-executive director:

Mr. Cui Xun (Honorary Chairman)	(resigned on 1st September, 2002)
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Independent non-executive directors:

Mr. Ma Huaide	(appointed on 1st September, 2002)
Mr. Tsui Yiu Wa, Alec	
Mr. Zuo Wei Qi	(appointed on 24th April, 2002)

In accordance with Clauses 99 and 102 of the Company's Bye-laws, except for Ms. Chen Xiao Ying, the Executive Chairman, and Mr. Tsui Yiu Wa, Alec, an independent non-executive director, all the remaining directors shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out on pages 15 and 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries or its holding companies were 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.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

- (a) At 31st March, 2003, the interests of the directors in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

Name of director	Number of shares held in corporate interests
Ms. Chen Xiao Ying	1,212,937,030

- (b) No director had any interests in the securities of any subsidiaries of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st March, 2003 except for certain nominee shares in subsidiaries held in trust for the Group.
- (c) Details of personal interests of the directors in the share options to subscribe for shares in the Company are disclosed under "Share options" above.

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

Save as aforesaid, at no time during the year was the Company or any of its subsidiaries or its holding companies 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.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares
Uni-Tech International Group Limited (<i>note</i>)	1,212,937,030
21CN Corporation (<i>note</i>)	1,212,937,030
Pollon Internet Corporation (<i>note</i>)	1,212,937,030
Ms. Chen Xiao Ying (<i>note</i>)	1,212,937,030
Road Shine Developments Limited	600,000,000

Note: Uni-Tech International Group Limited is a wholly owned subsidiary of 21CN Corporation, which is a subsidiary of Pollon Internet Corporation. Ms Chen Xiao Ying has beneficial interests in these companies.

CONNECTED TRANSACTIONS

During the year, the Group entered into certain connected transactions, as defined in Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which are also related party transactions, references to which are set out in note 29 to the accounts.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

- the largest supplier	24.26%
- five largest suppliers combined	61.38%

Sales

- the largest customer	36.34%
- five largest customers combined	50.00%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

RETIREMENT SCHEME

Details of the Group's retirement schemes are set out in note 12 to the accounts.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee now comprises three independent non-executive directors, namely Mr. Ma Huaide, Mr. Tsui Yiu Wa, Alec and Mr. Zuo Wei Qi respectively. Two meetings were held during the current financial year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors have any beneficial interest in other businesses which constitute a competing business to the Group.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chen Xiao Ying

Executive Chairman

Hong Kong, 11th July, 2003