

The Directors submit their report together with the audited accounts of the Company and the Group for the year ended 30th September, 2003.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in note 28 to the accounts.

An analysis of the Group's performance for the year ended 30th September, 2003 by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th September, 2003 are set out in the consolidated profit and loss account on page 32.

The Directors resolved not to make any payment of an interim dividend (2002: HK\$0.018) and do not recommend the payment of a final dividend (2002: Nil) for the year ended 30th September, 2003.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 30th September, 2003 are set out in note 23 to the accounts.

DONATIONS

The Group did not make any charitable and other donations during the year ended 30th September, 2003 (2002: Nil).

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company during the year ended 30th September, 2003 are set out in note 11 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 30th September, 2003 are set out in note 21 to the accounts.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year ended 30th September, 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

SHARE OPTIONS

The old share option scheme (the “Old Share Option Scheme”) which was approved and adopted by an ordinary resolution of the shareholders at the extraordinary general meeting held on 16th March, 1999, and terminated and replaced by a new share option scheme (the “New Share Option Scheme”) at the annual general meeting held on 27th March, 2003. Notwithstanding the termination of the Old Share Option Scheme, the outstanding options previously granted under the Old Share Option Scheme shall remain valid and exercisable in accordance with the provisions of the Old Share Option Scheme. Under the New Share Option Scheme, the Directors may, at their discretion, invite employees, including executive Directors of the Company, to take up options to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein.

Details of the share options outstanding as at 30th September, 2003 which were granted under the Old Share Option Scheme are as follows:

| Date of grant | Exercise price HK\$ | Exercisable period | Balance outstanding as at 1st October, 2002 | Share options exercised during the year | Share options lapsed during the year | Balance outstanding as at 30th September, 2003 |
|-----------------------|--------------------------------|--|--|--|---|---|
| Executive Director, | | | | | | |
| Mr. SY Ethan, Timothy | | | | | | |
| 26th April, 1999 | 0.150 | 25th May, 1999 to 24th May, 2009 | 100,000,000 | — | — | 100,000,000 |
| Employees | | | | | | |
| 15th November, 2000 | 0.715 | 15th November, 2000 to 14th November, 2010 | 1,800,000 | — | — | 1,800,000 |

The financial impact of the share options granted under the Old Share Option Scheme is not recorded in the Group’s accounts until such time as the options are exercised. Upon the exercise of the options, the resulting shares in the Company issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of shares is recorded by the Company in the share premium account. Options which lapsed prior to their exercisable date are reduced from the outstanding options.

SHARE OPTIONS (cont'd)

Under the New Share Option Scheme, the Directors may, at their discretion, at any time following the date of the adoption of the New Share Option Scheme but before the tenth anniversary of that date, offer options to any full-time employees and directors (including non-executive directors and independent non-executive directors) of, any advisers, consultants, suppliers and agents to, and such other persons who, at the sole determination of the board of the Directors, have contributed to, the Company or any subsidiary of the Company, to subscribe for the shares of the Company subject to the terms and conditions stipulated therein at a price not less than the higher of the nominal value of the share, the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant and the average of the closing prices of the shares of the Company in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant. An offer of options may be accepted within 30 days from the date of offer of the options upon payment of a nominal consideration of HK\$1.00.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company as at the date of approval of the New Share Option Scheme. The participants may exercise the options during the option period which shall not be more than 10 years from the date of grant of options.

No share option had been granted under the New Share Option Scheme since its adoption.

WARRANTS

Details of the movements of warrants of the Company during the year ended 30th September, 2003 are set out in note 22(b) to the accounts.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group and the Company as at 30th September, 2003 are set out in notes 19 and 20 to the accounts.

DIRECTORS

The Directors who held office during the year ended 30th September, 2003 and up to the date of this report were:

| | |
|----------------------------------|-------------------------------------|
| Mr. SY Ethan, Timothy | |
| Mr. YU Sze Kwok, Lewis | (resigned on 18th August, 2003) |
| Mr. CHEUNG Wing Yin, Vigny Wiley | |
| Mr. TSE Po Lau, Paul | (removed on 20th August, 2003) |
| Mr. SUNG Yee Keung, Ricky | (appointed on 1st October, 2002) |
| Mr. WAN Kwok Cheong, Francis | (appointed on 1st October, 2002) |
| Mr. PANG Leung Ming, Eric | (appointed on 1st October, 2002) |
| Mr. KO Wai Lun, Warren* | (appointed on 26th September, 2003) |
| Mr. IP Man Tin, David** | |
| Mr. TAI Ah Lam, Michael** | |
| Mr. Ian Grant ROBINSON** | (appointed on 20th August, 2003) |
| Mr. Richard Nicholas TANNER** | (appointed on 26th September, 2003) |

* Non-executive Director

** Independent Non-executive Directors

In accordance with Articles 99 and 116 of the Articles of Association of the Company, Messrs. CHEUNG Wing Yin, Vigny Wiley, TAI Ah Lam, Michael, KO Wai Lun, Warren, Ian Grant ROBINSON and Richard Nicholas TANNER shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 14 and 15.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 30th September, 2003 are set out in note 23 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 page 73.

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 any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party, and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year ended 30th September, 2003.

CONNECTED TRANSACTIONS

No transactions were entered into by the Group during the year ended 30th September, 2003, which constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th September, 2003, the following Directors and Chief Executive were interested or deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) entered in the register referred to in the section 352 of the SFO pursuant thereto; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, as follows:

(a) Ordinary shares

| Name of Director | Personal interests | Family interests | Corporate interests | Capacity | Total | Approximate percentage of shareholding % |
|----------------------------------|--------------------|------------------|---------------------|------------------|------------|--|
| Mr. CHEUNG Wing Yin, Vigny Wiley | 10,000,000 | — | — | Beneficial owner | 10,000,000 | 0.2 |
| Mr. SUNG Yee Keung, Ricky | 72,663,303 | 250,000 (note) | — | Beneficial owner | 72,913,303 | 1.4 |
| Mr. WAN Kwok Cheong, Francis | 11,000,000 | — | — | Beneficial owner | 11,000,000 | 0.2 |

Note:

These shares were jointly owned by Ms. SUNG Mei Ling, the sister of Mr. SUNG Yee Keung, Ricky.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (cont'd)**(b) Share options**

Under the Old Share Option Scheme, certain Directors of the Company were granted options to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein, details of share options outstanding as at 30th September, 2003 were as follows:

| Name of Director | Date of grant | Exercise price HK\$ | Number of share options outstanding as at 30th September, 2003 | Exercisable period |
|-------------------------|----------------------|--------------------------------|---|-------------------------------------|
| Mr. SY Ethan, Timothy | 26th April, 1999 | 0.150 | 100,000,000 | 25th May, 1999 to 24th May, 2009 |

(c) Warrants

Details of the warrants held by certain Directors of the Company as at 30th September, 2003 were as follows:

| Name of Director | Date of grant | Exercise price HK\$ | Number of warrants outstanding as at 30th September, 2003 | Exercisable period |
|-------------------------------------|----------------------|--------------------------------|--|---|
| Mr. CHEUNG Wing Yin, Vigny Wiley | 27th August, 2001 | 0.680 | 1,111,111 | 27th August, 2001 to 26th August, 2004 |
| Mr. SUNG Yee Keung, Ricky | 27th August, 2001 | 0.680 | 8,924,444 | 27th August, 2001 to 26th August, 2004 |
| Mr. WAN Kwok Cheong, Francis | 27th August, 2001 | 0.680 | 1,222,222 | 27th August, 2001 to 26th August, 2004 |

Except as disclosed above, as at 30th September, 2003, the Company did not grant any right to subscribe for shares of the Company and its associated corporations (within the meaning of the SFO) to any Directors or Chief Executives of the Company or to their spouses or children under 18 years of age.

Apart from the above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors or Chief Executives of the Company or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (cont'd)

(c) Warrants (cont'd)

Save as disclosed above, none of the Directors or their associates were, as at 30th September, 2003, interested or deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) entered in the register referred to in the section 352 of the SFO pursuant thereto; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th September, 2003, the Company had been notified of the following interests of the substantial shareholders (not being a Director or Chief Executive of the Company) in the following long positions in the shares and underlying shares of the Company:

| Name of shareholder | Capacity | Number of ordinary shares | Approximate percentage of shareholding % |
|------------------------------------|------------------------------------|------------------------------|---|
| Optimum Pace International Limited | Beneficial owner | 2,942,608,695 (note) | 57 |
| LGT Trust Management Limited | Interest of controlled corporation | 2,942,608,695 (note) | 57 |

Note:

These shares are registered in the name of Optimum Pace International Limited, the entire issued share capital of which is held by LGT Trust Management Limited as trustee of The Optimum Pace Trust, a discretionary trust.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 30th September, 2003.

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 ended 30th September, 2003.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 30th September, 2003 attributable to the Group's major suppliers and customers are as follows:

| | Percentage of the total purchases/ sales accounted for |
|-----------------------------------|---|
| Purchases | |
| - the largest supplier | 86% |
| - five largest suppliers combined | 100% |
| Sales | |
| - the largest customer | 31% |
| - five largest customers combined | 52% |

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 30th September, 2003, except that the Independent Non-executive Directors are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company. In the opinion of the Directors, this meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-executive Directors, namely Messrs. Ian Grant ROBINSON, IP Man Tin, David, TAI Ah Lam, Michael and Richard Nicholas TANNER and one Executive Director, namely Mr. SY Ethan, Timothy.

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 principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee met twice during the financial year in conjunction with the auditors to review the internal controls, interim results and final financial statements of the Group prior to recommending them to the Board for approval.

PENSION SCHEME ARRANGEMENTS

On 1st December, 2000, the Group set up a Mandatory Provident Fund Scheme ("MPF Scheme") in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and are under the control of an independent trustee.

Both the Group and its employees are required to contribute 5% of the employees' monthly salaries. The mandatory contributions required to be made respectively by the Group and an employee are capped at HK\$1,000 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

Certain employees of the Group make voluntary contributions to the MPF Scheme and the Group also makes voluntary contributions of an amount equivalent to that contributed by those employees to the MPF Scheme. The voluntary contribution represents the difference between the capped amount and 5% of the employees' monthly basic salaries. For the Group's voluntary contributions, the percentage of voluntary contributions vested in the employees is subject to their years of services with the Group. The employee's voluntary contributions are vested only during the term of employment with the Group.

The retirement benefit costs, including those for directors, charged to the consolidated profit and loss account represent contributions payable by the Group of approximately HK\$1,964,000 (2002: HK1,656,000). As at 30th September, 2003, unutilised forfeited voluntary contributions which were available to reduce the contribution payable by the Group in the future amounted to approximately HK\$63,000 (2002: HK\$181,000).

AUDITORS

RSM Nelson Wheeler were appointed as auditors of the Company in September 2003 to fill the casual vacancy upon the resignation of PricewaterhouseCoopers. PricewaterhouseCoopers were the auditors of the Company for the years ended 30th September, 2001 and 2002. Apart from the aforementioned, there have been no other changes of the Company's auditors in the past three years.

RSM Nelson Wheeler retire at the forthcoming annual general meeting of the Company and a resolution for their re-appointment as auditors of the Company will be proposed at the said meeting.

On behalf of the Board

SY Ethan, Timothy

Chairman

Hong Kong, 19th January, 2004