

## Directors' Report

The Directors present the annual report and the audited financial statements of the Group for the year ended 30th June, 2003.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 40 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers and suppliers of the Group accounted for approximately 68% and 48% of the Group's turnover and purchases.

The largest customer accounted for approximately 23% of the turnover of the Group. The largest supplier accounted for approximately 13% of the purchase of the Group.

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

### RESULTS

The results of the Group for the year ended 30th June, 2003 are set out in the consolidated income statement on page 19.

### RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 23 of the annual report and note 28 to the financial statements, respectively.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 67.

### INVESTMENT PROPERTIES

During the year, investment properties of the Group was revalued by an independent firm of professional property valuers on an open market value basis at HK\$62 million. The revaluation increase of the investment properties of HK\$1.1 million has been credited to the consolidated income statement.

Details of movements in the investment properties of the Group during the year are set out in note 11 to the financial statements.

## Directors' Report

### PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in notes 26, to the financial statements.

### DIRECTORS

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

#### Executive Directors

Mr. Lu Liang	
Mr. Ng Yan	(appointed on 20th May, 2003)
Mr. Tao Wei Ming	(appointed on 20th May, 2003)
Mr. Tsang Kar Tong	(resigned on 9th January, 2003 and appointed on 16th September, 2003)
Mr. Ho Yuk Ming, Hugo	(appointed on 22nd March, 2004 and resigned on 30th September, 2004)
Mr. Chen Wei	(appointed on 10th July, 2002 and retired on 31st December, 2002)
Mr. Lo Lap Ho	(appointed on 20th August, 2002 and resigned on 30th June, 2004)
Dr. Meng Xiaosu ( <i>Honorary Chairman</i> )	(resigned on 3rd August, 2002)
Mr. Li Zhao	(resigned on 20th May, 2003)

#### Independent Non-executive Directors

Mr. Cheng Sheung Hing	(appointed on 31st December, 2003)
Mr. Cheng Kwong Choi, Alexander	(appointed on 31st December, 2003)
Mr. Mui Chok Wah	(appointed on 30th September, 2004 and resigned on 23rd November, 2004)
Ms. Lyn Yee Chen, Jean	(appointed on 23rd November, 2004)
Mr. Kurt Franz Hanke	(appointed on 20th January, 2003 and retired on 31st December, 2003)
Ms. Lau Heung Ping	(appointed on 20th May, 2003 and retired on 31st December, 2003)
Mr. Ha Kee Choy, Eugene	(appointed on 1st October, 2002 and resigned on 30th October, 2002)
Ms. Huang Kai Chiun, Dorothy	(resigned on 1st October, 2002)
Mr. Su Sen Chang	(resigned on 20th May, 2003)

## Directors' Report

### DIRECTORS (cont'd)

In accordance with Articles 94 and 102(A) of the Company's Articles of Association, Mr. Lu Liang, Mr. Lo Lap Ho, Ng Yan, Tao Wei Ming and Tsang Kar Tong retired at the 2003 annual general meeting held on 31st December, 2003 ("AGM") and were re-elected as directors of the Company at the AGM. Mr. Kurt Franz Hanke and Ms. Lau Heung Ping retired at the AGM and did not offer for re-election.

The terms of office of the independent non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

None of the Directors had any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### SHARE OPTIONS

Under the Company's share options schemes, details of which are set out in note 27 to the financial statements, certain Directors of the Company have personal interests in share options to subscribe for the shares of the Company and details of movements during the year are as follows:

Name of Directors	Scheme type	Month of grant	Exercisable period	Exercise price HK\$	Number of share options		
					Outstanding at 1.7.2002	Surrendered by option holders during the year	Outstanding at 30.6.2003
Mr. Lu Liang	1999	May 2002	24th May, 2002 to 23rd May, 2012	0.202	25,835,000	-	25,835,000
Mr. Li Zhao	1999	June 2001	29th June, 2001 to 28th June, 2011	0.200	1,000,000	(1,000,000)	-
	1999	May 2002	24th May, 2002 to 23rd May, 2012	0.202	24,835,000	(24,835,000)	-
Ms. Huang Kai Chiun, Dorothy	1999	July 2001	11th July, 2001 to 10th July, 2011	0.200	1,000,000	(1,000,000)	-
Mr. Tsang Kar Tong	1999	June 2001	27th June, 2001 to 26th June, 2011	0.200	7,650,000	(7,650,000)	-
Total					60,320,000	(34,485,000)	25,835,000

## Directors' Report

### SHARE OPTIONS (cont'd)

Save as disclosed above, 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.

### DIRECTORS' INTERESTS IN SHARES AND SHARES OPTIONS

Save as disclosed under section "Share Options", none of the directors, chief executives nor their associates, had any interests or short positions in any shares, underlying shares or rights to subscribe for the securities of the Company at 30th June, 2003.

### SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, the register of substantial shareholders maintained by the Company under Part XV of the Securities and Futures Ordinance showed that the following persons had an interest of 5% or more in the Company's issued share capital:

Name of Shareholder	Notes	Number of ordinary shares of the Company held		
		Direct Interest	Deemed Interest	Percentage of Shareholding
Ventures Victory Limited		227,325,000		7.93%
East Marton Group Limited		275,928,500		9.62%
KG Investments Holdings Limited	1	275,928,500		9.62%
Absolute Rich Assets Limited ("Absolute Rich")	2	99,830,000		3.48%
Precise Time International Limited ("Precise Time")	2	61,880,000		2.16%
Success Pacific Enterprises Limited ("Success")	2	99,830,000		3.48%
Mr. Li Jian Min	2		261,540,000	9.12%
Ambang Jaya Sdn. Bhd. ("Ambang")	3	166,615,000		5.81%
Angkasa Marketing (Singapore) Pte Limited ("Angkasa")	3	75,000,000		2.62%
Amsteel Corporation Berhad ("Amsteel")	3		241,615,000	8.43%
Mr. Cheng Heng Jem	4		241,615,000	8.43%
ATNT Global Investments Co. Limited ("ATNT Global")	5	180,030,000		6.28%
Asia Tele-net and Technology Corporation Limited ("Asia Tele-net")	5		180,030,000	6.28%
Cyber Relationship Limited ("Cyber")	6	175,000,00		6.10%
China National Real Estate Development Group Co.	6		175,000,000	6.10%
Kargill High Growth Fund		165,000,000		5.75%

## Directors' Report

### **SUBSTANTIAL SHAREHOLDERS (cont'd)**

*Notes:*

1. KG Investments Holdings Limited is deemed to be interested in the Company's shares held by Global Treasure Investments Limited, its indirect subsidiary, by means of holding indirect and direct controlling interests in KGI International Holdings Limited and KGI Limited.
2. Mr. Li Jian Min is deemed to be interested in the Company's shares in which Absolute Rich, Precise Time and Success are interested.
3. Ambang and Angkasa are wholly-owned subsidiaries of Amsteel which is deemed to be interested in those shares of the Company beneficially owned by Ambang and Angkasa respectively.
4. Mr. Cheng Heng Jem is deemed to be interested in the Company's shares in which Amsteel is interested.
5. ATNT Global is a wholly-owned subsidiary of Asia Tele-net which is deemed to be interested in those shares of the Company beneficially owned by ATNT Global.
6. Cyber is a wholly-owned subsidiary of China National Real Estate Development Group Company which is deemed to be interested in those shares of the Company beneficially owned by Cyber.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the issued share capital of the Company as at 30th June, 2003.

### **DIRECTORS' INTERESTS IN CONTACTS**

Except for certain transactions as disclosed in note 39 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.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Dr. Meng Xiaosu a director resigned during the year, was the Chairman of China National Real Estate Development Group Company ("CRED Chian") which is a state-owned real estate enterprise in the People Republic of China (the "PRC") engaged in property development and real estate management and related businesses. He is also a director in various member companies of CRED China. Other than his directorship in CRED China, he is not regarded as interested in any competing business of the Group.

Save as disclosed above, at 30th June, 2003, none of the Directors had any interests in competing business of the Group which was required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## Directors' Report

### CONNECTED TRANSACTIONS

During the year, the minority shareholder of 珠海再創通信技術有限公司 (“珠海再創”) made advances to 珠海再創 for working capital purposes. At the balance sheet date, these advances which remained unsettled amounted to approximately HK\$5,863,000 in aggregate. The advances are unsecured and have no fixed repayment term. A portion of the advances is interest free and the rest bears interest at approximately 6.4% per year. The maximum balance of such advances outstanding during the year was approximately HK\$5,863,000. The Group accrued interest of approximately HK\$103,000 on such advances during the year.

In addition to the above, the Group had purchase materials of approximately HK\$290,000 from the minority shareholder of 珠海再創 and the trade payable due to the minority shareholder was approximately HK\$219,000 at the balance sheet date.

In the opinion of the independent non-executive directors of the Company, the above transactions have been entered into by the Company in the usual and ordinary course of business.

### CORPORATE GOVERNANCE

Due to the significant staff and management turnover within the Group during and subsequent to the year under review, the Company could not publish the final results for the two years ended 30th June, 2003 and 30th June, 2004 (the “Final Results”) and the interim results for the six months ended 31st December, 2002 and six months ended 31st December, 2003 (the “Interim Results”) within the time frame as stipulated in the Listing Rules. The failure to publish the Final Results and dispatch the annual report to shareholders within four months of the financial year end constitute breaches of the paragraph 8(1) and 11(1) of the Listing Agreement. The failure to publish the Interim Results and dispatch the interim report to shareholders within three months from 31st December, 2002 and 31st December, 2003 constitute breaches of the paragraph 10(1) and 11(6) of the Listing Agreement and Rules 13.48 and 13.40(6) of the Listing Rules.

Saved as disclosed above, the Company has complied throughout the year ended 30th June, 2003 with the “Code of Best Practice” as set out in Appendix 14 of the Listing Rules.

An audit committee is established by the Company to review and supervise the Group's financial reporting process and internal controls. The current members of the Audit Committee are the three independent non-executive directors, Ms. Lyn Yee Chen, Jean, Mr. Cheng Sheung Hing and Mr. Cheng Kwong Choi, Alexander. The audited final results for the year ended 30th June, 2003 have been reviewed by the Audit Committee.

## Directors' Report

### **POST BALANCE SHEET EVENTS**

Details of significant post balance sheet events of the Group are set out in note 41 to the financial statements.

### **AUDITORS**

The Company's financial statements for the year ended 30th June, 2001 and the year ended 30th June, 2003 were audited by Messrs. Deloitte Touche Tohmatsu, while the Company's financial statements for the year ended 30th June, 2002 were audited by Messrs. Fan, Mitchell & Co., Certified Public Accountants.

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

On behalf of the Board

**Tsang Kar Tong**

*Director*

Hong Kong, 26th November, 2004