

DIRECTORS' REPORT

The directors of the Company present their annual report and the audited financial statements of the Group and the Company for the year ended 31st March, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 32 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 22.

PROPERTY, PLANT AND EQUIPMENT

Details of changes 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 share capital of the Company are set out in note 18 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 25 and in note 20 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Luk Siu Man, Semon (*Chairperson*)

Wong Chi Fai

Fan Man Seung, Vanessa

Mok Fung Lin, Ivy

Independent non-executive directors:

Chan Sim Ling, Irene

Lam San Keung

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

In accordance with Bye-law 87 of the Company's Bye-laws, all directors, who retire in accordance with Bye-law 86(2), retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31st March 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

Name of director	Nature of interests	Number of ordinary shares held	Percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk")	Family	3,411,310	30.99%

Note: The shares were registered in the name of Worthy Strong Investment Limited ("Worthy Strong"), a wholly-owned subsidiary of Emperor International Holdings Limited ("EIHL"). EIHL was a company with its shares listed in Hong Kong; 74.79% of the shares of EIHL were registered in the name of Charron Holdings Limited ("Charron"). The entire issued share capital of Charron was held by Jumbo Wealth Limited ("Jumbo Wealth") on trust for The A&A Unit Trust. The A&A Unit Trust was a unit trust under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"). Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 3,411,310 shares held by Worthy Strong. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the above 3,411,310 shares held by Worthy Strong.

Save as disclosed above, as at 31st March, 2004, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code of the Listing Rules, to be notified to the Company and the Stock Exchange.

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SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme are set out in note 19 to the financial statements.

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 any director or chief executive of the Company or 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 CONTRACTS OF SIGNIFICANCE

No contract 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2004, so far as known to any directors or chief executives of the Company, the following persons (other than a director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary shares held	Percentage holding
EIHL	Interest in a controlled corporation	3,411,310	30.99%
Charron	Interest in a controlled corporation	3,411,310	30.99%
Jumbo Wealth	Trustee	3,411,310	30.99%
GZ Trust Corporation ("GZ Trust")	Trustee	3,411,310	30.99%
Mr. Albert Yeung	Founder of the Trust	3,411,310	30.99%

Note: The shares were registered in the name of Worthy Strong, a wholly-owned subsidiary of EIHL. EIHL was a company with its shares listed in Hong Kong; 74.79% of the shares of EIHL were registered in the name of Charron. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust. The A&A Unit Trust was a unit trust under the Trust, the trustee of which was GZ Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 3,411,310 shares held by Worthy Strong. The above shares were the same shares as those set out under the section of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

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INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, as at 31st March, 2004, so far as is known to the directors or chief executives of the Company, no other person (not being a director or chief executive of the Company) had any interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

CONNECTED TRANSACTIONS

1. During the year, the Group received repayment of advances amounting to approximately HK\$4,097,000 from Expert Pearl Investments Limited ("Expert Pearl") which is a 90% owned subsidiary of the Group indirectly holding the land use right of a site in Shanghai, the PRC. The advances were made in proportion to the Group's equity interest in Expert Pearl and to provide general working capital to Expert Pearl and its subsidiaries. The advances were unsecured, non-interest bearing and had no fixed terms of repayment. As at 31st March, 2004, the total outstanding balance of these advances made by the Group was approximately HK\$301,662,000.
2. During the year, the Group was entitled to interest income of approximately HK\$2,193,000 and received repayment of short-term advances amounting to approximately HK\$456,000 from Star City, which owned 10% equity interest in Expert Pearl as at 31st March, 2004. The advances were unsecured, bore interest at 1% over Hong Kong prime interest rate and had no fixed terms of repayment. As at 31st March, 2004, the total outstanding balance of and the interest accrued for these advances were approximately HK\$17,518,000 and HK\$19,817,000 respectively.

ADVANCE TO AN ENTITY

As at 31st March, 2004, the aggregate amount of advances made by the Group to Star City was approximately HK\$37,335,000. The advances were equivalent to approximately 66.7% of the Company's total market capitalisation as at 31st March, 2004. Under Rule 13.20 of the revised Listing Rules becoming effective on 31st March, 2004, the Company has continuing disclosure requirements of the details of the advances as prescribed under Rule 13.15 of the Listing Rules. These advances were made to Star City for financing the development project in Shanghai, the PRC and their details were set out in note 2 under the section of "Connected Transactions".

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

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

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PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company had complied throughout the year ended 31st March, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company were not appointed for specific terms.

AUDITORS

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

On behalf of the Board

Luk Siu Man, Semon

Chairperson

Hong Kong, 6th July, 2004