

The directors present their annual report and the audited financial statements of SMI Corporation Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31st March, 2004.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting held on 14th April, 2004, the name of the Company was changed from Star East Holdings Limited to SMI Corporation Limited, and the Chinese name adopted by the Company for identification purpose was changed from 東方魅力集團有限公司 to 星美國際集團有限公司.

CHANGES IN SUBSTANTIAL SHAREHOLDERS

Following the completion of the general offer made by Strategic Media International Limited ("SMI") in February 2004, SMI and parties acting in concert with it became the controlling shareholders of the Company. Details of the substantial shareholders of the Company as at 31st March, 2004 are disclosed under the section headed "Interests and Short Positions of Substantial Shareholders".

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 44 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 33.

No dividend was paid during the year.

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 71.

SHARE CAPITAL

During the year, the Company placed through a placing agent a total of 300,000,000 ordinary shares of HK\$0.005 each at HK\$0.040 per share to independent third parties.

The Company also issued and allotted 500,000,000 and 1,100,000,000 ordinary shares of HK\$0.005 each at HK\$0.040 per share to ITC Corporation Limited ("ITC"), a former substantial shareholder of the Company, and SMI, respectively.

The Company further issued and allotted 1,575,000,000 ordinary shares of HK\$0.005 each at HK\$0.040 per share to SMI in December 2003, following which and upon the closing of the general offer in February 2004, SMI became the ultimate holding company of the Company.

Details of these and other movements in the share capital are set out in note 32 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at the balance sheet date and the surplus arising on revaluation of HK\$17.7 million has been recognised in the income statement.

Details of these and other movements in the investment properties are disclosed in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$1.6 million on acquisition of property, plant and equipment.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

PROPERTY INTERESTS

A summary of property interests of the Group at 31st March, 2004 is set out on page 72.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

During the year, the Group's interests in Star Performance Developments Limited ("Star Performance") was diluted from 100% to 18% following an issue of new shares by Star Performance to independent third parties. Star Performance was the intermediate holding company of the "Planet Hollywood" theme restaurant franchising business.

In addition, the Group disposed of its 70% interest in a wholly-owned subsidiary, Bob & Partners Co., Limited ("Bob") at a consideration of HK\$10,000. As at 31st March, 2004, the Group's interest in Bob was reduced to 30% and Bob was reclassified as an associate of the Group accordingly.

As announced on 20th February, 2004, Sino Forum Limited ("Sino Forum"), a wholly-owned subsidiary of the Company, entered into two sale and purchase agreements with two independent third parties pursuant to which Sino Forum conditionally agreed to acquire an aggregate of 50% equity interest in Chengdu Stellar Digital Information Company Limited ("Stellar Digital"), which is engaged mainly in the operations of cyber cafés and the provision of management services to other cyber cafés in the PRC, for a total consideration of approximately HK\$15 million (equivalent to RMB16 million) on 16th February, 2004. On the same date, another wholly-owned subsidiary of the Company, Sino Logic Limited ("Sino Logic") entered into a sale and purchase agreement with two independent third parties pursuant to which Sino Logic conditionally agreed to acquire an aggregate of 25% equity interest in Stellar Cinema Investment Company Limited ("Stellar Cinema"), which is engaged mainly in the development, operation and management of cinema in the PRC, for a total consideration of approximately HK\$23.6 million (equivalent to RMB25 million). These transactions in aggregate constituted a discloseable transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The acquisition of interest in Stellar Digital was completed in June 2004 whereas that in Stellar Cinema has not yet been completed as at the date of this report.

In addition, as also announced on 20th February, 2004, the proposed acquisition by the Company from SMI of the entire issued share capital of Realmax Holdings Limited ("Realmax") and the shareholder's loan extended by SMI to Realmax for a consideration of HK\$20 million was terminated on 16th February, 2004. The proposed acquisition of Realmax was a discloseable and connected transaction of the Company under the Listing Rules.

Details of the Company's principal subsidiaries and the Group's principal jointly controlled entities and associates as at 31st March, 2004 are set out in notes 44, 17 and 18 to the financial statements, respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Xing Jing (<i>Chairman</i>)	(appointed as Deputy Managing Director on 25th July, 2003 and resigned on 11th February, 2004, appointed as Chairman on 11th February, 2004)
Tsang Chi Wai, Eric (<i>Deputy Chairman</i>)	
Chan Pak Cheung, Natalis (<i>Deputy Chairman</i>)	
Wong Kun To (<i>Managing Director</i>)	
Li Wei	(appointed on 25th July, 2003)
Ren Jian Hong	(appointed on 11th February, 2004)
Chan Chak Mo	(resigned on 23rd February, 2004)
Robert Ian Earl	(office vacated on 13th February, 2004)
Tam Wing Lun, Alan	(resigned on 11th February, 2004)
Lai Ming, Leon	(re-designated as executive director on 25th July, 2003 and resigned on 11th February, 2004)
Chau Mei Wah, Rosanna	(retired on 4th September, 2003)
Wong Yat Cheung	(resigned on 25th July, 2003)
Mui Yim Fong	(resigned on 25th July, 2003)
Chan Yan Kin, Philip	(resigned on 25th July, 2003)
Lau Buong Lik, Stephen	(resigned on 25th July, 2003)

Non-executive directors:

Jiang Kun	(appointed on 25th July, 2003)
Dong Fang Fang	(appointed on 11th February, 2004)
Zhu Yong De (<i>Deputy Chairman</i>)	(appointed on 25th July, 2003 and resigned on 31st March, 2004)
Zhu Shi Mao	(appointed on 25th July, 2003 and resigned on 11th February, 2004)

Independent non-executive directors:

Au Chun Kwok, Augustus
Lam Tak Shing

In accordance with bye-laws 86(2), 87(1) and 87(2) of the Company's bye-laws, Mr. Tsang Chi Wai, Eric, Mr. Chan Pak Cheung, Natalis, Mr. Ren Jian Hong and Ms. Dong Fang Fang will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each non-executive director and independent non-executive director is the period from the date of appointment up to his/her retirement by rotation as required by the Company's bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), are as follows:

(a) Interests in the shares of the Company

Name of director/chief executive	Nature of interests	Number of shares		Approximate percentage of the then issued share capital of the Company
		Long position	Short position	
Tsang Chi Wai, Eric	Direct – personal	394,000	–	0.007%
Chan Pak Cheung, Natalis	Direct – personal	394,000	–	0.007%

(b) Options to subscribe for shares of the Company

Name of director/chief executive	Date of grant	Exercisable period	Exercise price per share HK\$	Number of underlying shares comprised in the options	Approximate percentage of the then issued share capital of the Company
Xing Jing	28.7.2003	28.1.2004 to 27.1.2007	0.033	43,000,000	0.726%
Tsang Chi Wai, Eric	28.7.2003	28.1.2004 to 27.1.2007	0.033	35,000,000	0.591%
Chan Pak Cheung, Natalis	13.2.2004	13.8.2004 to 12.8.2007	0.067	10,000,000	0.169%
Wong Kun To	28.7.2003	28.1.2004 to 27.1.2007	0.033	33,000,000	0.557%
Li Wei	28.7.2003	28.1.2004 to 27.1.2007	0.033	43,000,000	0.726%
Ren Jian Hong	13.2.2004	13.8.2004 to 12.8.2007	0.067	18,000,000	0.304%
				182,000,000	3.073%

Save as disclosed above, as at 31st March, 2004, none of the directors and chief executive of the Company or any of their associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code had any interest or short position in the shares or underlying shares or debentures of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of the directors of the Company in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Xing Jing	Stellar Megamedia Co., Ltd. and its subsidiaries	Movies, television dramas and documentary production, distribution and licensing Talent management	As a director
Wong Kun To	ITC Corporation Limited and its subsidiaries	Property interest in Hong Kong and the Mainland China Loan financing business in Hong Kong	As an executive director

Having considered (i) the nature, scope and size of the above businesses as compared to those of the Group; and (ii) the nature and extent of the above-named directors' respective interest in these businesses, the directors of the Company believe that there is unlikely to be any significant competition with the businesses of the Group.

Save as disclosed above, none of the directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

SHARE OPTIONS SCHEMES

The Company has two share option schemes which were adopted on 29th April, 1996 (the "1996 Scheme") and 28th August, 2002 (the "2002 Scheme"). The 1996 Scheme was terminated on 28th August, 2002. Particulars of these schemes are set out in note 33 to the financial statements.

Details of the share options granted under the 1996 Scheme and the 2002 Scheme to certain directors/former directors of the Company to subscribe for shares in the Company are as follows:

(A) The 1996 Scheme

Name of director/former director*	Date of grant	Exercisable period	Exercise price HK\$	Number of underlying shares comprised in the options					Outstanding as at 31.3.2004
				Outstanding as at 1.4.2003	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	
Tsang Chi Wai, Eric	3.11.2000	3.5.2001 to 2.5.2004	0.2680	2,000,000	-	-	-	(2,000,000)	-
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	-	-	-	(2,000,000)	-
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	4,000,000	-	-	-	(4,000,000)	-
Chan Pak Cheung, Natalis	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	(5,000,000)	-	-
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	-	-	(4,500,000)	-	-
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	-	-	-	(2,000,000)	-
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	4,000,000	-	-	-	(4,000,000)	-
Wong Kun To	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	(5,000,000)	-	-
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	-	-	(4,500,000)	-	-
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	-	-	-	(2,000,000)	-
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	4,000,000	-	-	-	(4,000,000)	-
Tam Wing Lun, Alan*	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	(5,000,000)	-	-
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	-	-	(4,500,000)	-	-
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	-	-	-	(2,000,000)	-
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	4,000,000	-	-	-	(4,000,000)	-
Chau Mei Wah, Rosanna*	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	(5,000,000)	-	-
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	-	-	(4,500,000)	-	-
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	1,000,000	-	-	-	(1,000,000)	-
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	2,000,000	-	-	-	(2,000,000)	-
Robert Ian Earl*	3.11.2000	3.5.2001 to 2.5.2004	0.2680	5,000,000	-	-	-	-	5,000,000
Lau Buong Lik, Stephen*	23.12.2000	23.6.2001 to 22.6.2004	0.2256	1,000,000	-	-	-	(1,000,000)	-
Total				<u>73,000,000</u>	<u>-</u>	<u>-</u>	<u>(38,000,000)</u>	<u>(30,000,000)</u>	<u>5,000,000</u>

SHARE OPTIONS SCHEMES (continued)

(B) The 2002 Scheme

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of underlying shares comprised in the options					Outstanding as at 31.3.2004
				Outstanding as at 1.4.2003	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	
Xing Jing	28.7.2003	28.1.2004 to 27.1.2007	0.033	-	43,000,000	-	-	-	43,000,000
Tsang Chi Wai, Eric	28.7.2003	28.1.2004 to 27.1.2007	0.033	-	35,000,000	-	-	-	35,000,000
Chan Pak Cheung, Natalis	13.2.2004	13.8.2004 to 12.8.2007	0.067	-	10,000,000	-	-	-	10,000,000
Wong Kun To	28.7.2003	28.1.2004 to 27.1.2007	0.033	-	33,000,000	-	-	-	33,000,000
Li Wei	28.7.2003	28.1.2004 to 27.1.2007	0.033	-	43,000,000	-	-	-	43,000,000
Ren Jian Hong	13.2.2004	13.8.2004 to 12.8.2007	0.067	-	18,000,000	-	-	-	18,000,000
Total				-	182,000,000	-	-	-	182,000,000

As at the date of this report, outstanding share options in respect of a total of 5,000,000 and 245,000,000 underlying shares of the Company were granted under the 1996 Scheme and the 2002 Scheme respectively to certain employees of the Group (including directors/former directors), representing approximately 0.08% and 3.90%, respectively, of the shares of the Company in issue on that date.

The closing price of the Company's shares immediately before 28th July, 2003 and 13th February, 2004, the dates of the relevant grant, were HK\$0.032 and HK\$0.060 respectively.

The fair value of the options granted in the current year totalled approximately HK\$3,700,000. The following significant assumptions were used to derive the fair value, using the Black Scholes option pricing model:

1. an expected volatility of 87.62% based on historical volatility;
2. no annual dividend;
3. the estimated expected life of the options granted during the year is three years; and
4. risk-free interest rates of 3.038% for the options granted on 28th July, 2003 and 2.674% for the options granted on 13th February, 2004, based on the Hong Kong Exchange Fund Notes interest rates at the dates the options were granted.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited.

The Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of directors, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2004, the following persons (other than directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Nature of interest	Number of shares held		Approximate percentage of the then issued share capital of the Company
		Long position	Short position	
Mr. Qin Hui	Indirect – interest of controlled corporation ^(Note 1)	2,977,646,524	–	50.24%
SMI	Direct – beneficial owner	2,977,646,524 ^(Note 2)	–	50.24%
Wing On Travel (Holdings) Limited	Indirect – interest of controlled corporation ^(Note 3)	1,100,000,000	–	18.56%
Wing On Travel (BVI) Limited	Indirect – interest of controlled corporation ^(Note 3)	1,100,000,000	–	18.56%
Millennium Target Holdings Limited	Indirect – interest of controlled corporation ^(Note 3)	1,100,000,000	–	18.56%
Apex Quality Group Limited	Indirect – interest of controlled corporation ^(Note 3)	1,100,000,000	–	18.56%
Rosedale Hotel Group Limited	Indirect – interest of controlled corporation ^(Note 3)	1,100,000,000	–	18.56%
Rosedale Oriental Hotel Mgt. Inc.	Direct – holder of security interests	1,100,000,000	–	18.56%

Notes:

1. Mr. Qin Hui owned the entire interest in SMI and was accordingly deemed to be having the same interest in the shares as SMI.
2. Out of the 2,977,646,524 shares owned by SMI, 1,100,000,000 shares were pledged by SMI as collateral security.
3. Rosedale Oriental Hotel Mgt. Inc., a wholly-owned subsidiary of Rosedale Hotel Group Limited, had interests in 1,100,000,000 shares as security interests. Rosedale Hotel Group Limited was wholly owned by Apex Quality Group Limited which was a 68% subsidiary of Millennium Target Holdings Limited. Millennium Target Holdings Limited was in turn wholly owned by Wing On Travel (BVI) Limited which was a wholly-owned subsidiary of Wing On Travel (Holdings) Limited.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31st March, 2004.

CONNECTED TRANSACTIONS

- (i) During the year, the Company issued and allotted 500,000,000 new ordinary shares to ITC at a price of HK\$0.040 per new share pursuant to a share subscription agreement entered into with ITC on 28th March, 2003. The subscription and issue of new shares were completed on 9th July, 2003 and the Company received gross cash proceeds of HK\$20 million.

As ITC was a substantial shareholder of the Company at the time of the transaction and thus a connected person of the Company, this transaction constituted a connected transaction for the Company under the Listing Rules. The transaction was duly approved by independent shareholders of the Company in a special general meeting held on 5th May, 2003.

Full details of this transaction were set out in the circular issued by the Company to the shareholders on 17th April, 2003.

In February 2004, ITC ceased to be a substantial shareholder of the Company following its disposal of a substantial part of its interests in the Company.

- (ii) During the year, the Company also issued and allotted 1,575,000,000 new ordinary shares to SMI at a price of HK\$0.040 per new share pursuant to a share subscription agreement entered into with SMI on 6th November, 2003. The subscription and issue of new shares were completed on 19th December, 2003 and the Company received gross cash proceeds of HK\$63 million. As SMI became a substantial shareholder of the Company following the subscription of 1,100,000,000 new ordinary shares of the Company in July 2003 and was thus a connected person of the Company, this transaction constituted a connected transaction for the Company under the Listing Rules. The transaction was duly approved by independent shareholders of the Company in a special general meeting held on 16th December, 2003.

Full details of this transaction were set out in the circular issued by the Company to the shareholders on 27th November, 2003.

- (iii) Pursuant to tenancy agreements dated 13th December, 2002 and 11th February, 2004 entered into by the Company's wholly-owned subsidiary, Star East Management Limited, with Cycle Company Limited and Gunnell Properties Limited, wholly-owned subsidiaries of Paul Y. - ITC Construction Holdings Limited ("Paul Y."), for the lease of office premises and provision of building management services to the Group, the Group paid rent and building management fees of approximately HK\$2.3 million for the period from 1st April, 2003 to the date when ITC ceased to be the substantial shareholder of the Company. As Paul Y. was an associate of ITC which was a connected person of the Company at the time the said tenancy agreements were entered into, these transactions constituted connected transactions for the Company under the Listing Rules. Details of the said tenancy agreements were disclosed by the Company by way of press announcements issued on 13th December, 2002 and 18th February, 2004.

The following sets out the major terms of the said tenancy agreements:

	Premises	Lease period	Rent and other charges	Other major terms
Tenancy agreement dated 13th December, 2002	Units 2901-03, 05-07, 08-13 and 15-16, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong (gross floor area of 16,335 square feet)	One year commencing on 11th December, 2002	Monthly rent of HK\$155,200 and management fee and air-conditioning charges of approximately HK\$45,000 per month	Option to renew for a further one year at the then prevailing market rent
Tenancy agreement dated 11th February, 2004	Units 2901-03, 05-07, 8-12 and 13-16, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong (gross floor area of 16,335 square feet)	14 calendar months commencing on 13th February, 2004	Monthly rent of HK\$138,900 and management fee and air-conditioning charges of approximately HK\$45,000 per month	2 months' rent-free period during the first and fourteenth months of the term

- (iv) For the purpose of realigning the Group's business interests, subsidiaries of the Group had entered into sale and purchase agreements with SMI on 26th March 2004 to dispose of the Group's 18.36% and 26.91% interest in Leadership Publishing Group Limited and M Channel Corporation Limited, respectively, to SMI, together with the shareholder's loan advanced by the Group to M Channel, at a total consideration of approximately HK\$27.3 million. These transactions together constituted discloseable and connected transactions for the Company under the Listing Rules and were duly approved by the shareholders of the Company in a special general meeting held on 11th May, 2004. Up to the date of this report, these transactions have not yet been completed.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the heading "Connected Transactions", there were no other 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, subsisting at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales and purchase attributable to the Group's five largest customers and suppliers were less than 30% of the Group's turnover and cost of sales.

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

The total value of the amounts due from the Group's affiliated companies in respect of advances made by the Group was approximately HK\$46,570,000 as at 31st March, 2004, representing more than 8% of the percentage ratios defined under the Listing Rules. Details of these amounts are set out in notes 17, 18 and 26 to the financial statements.

The proforma combined balance sheet of these affiliated companies, to which advances are given, as at 31st March, 2004 is as follows:

	<i>HK\$'000</i>
Non-current assets	117,189
Current assets	74,154
Current liabilities	(72,409)
Non-current liabilities	(294,579)
	<u>(175,645)</u>
Group's proforma attributable interests	<u>(77,028)</u>

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year ended 31st March, 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefit schemes are set out in note 42 to the financial statements.

CORPORATE GOVERNANCE

Save that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with the Company's bye-laws, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the year ended 31st March, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee in April 1999 with written terms of reference based on the guidelines set out in "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The primary duties of the audit committee are to review and supervise the financial process and internal control procedures of the Group. The audit committee comprises two independent non-executive directors, namely, Mr. Au Chun Kwok, Augustus and Mr. Lam Tak Shing.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 46 to the financial statements.

AUDITORS

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

By order of the Board

Wong Kun To
Managing Director
 Hong Kong, 23rd July, 2004