

The directors present their annual report and the audited financial statements for the year ended 30th April, 2004.

## Principal activities

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The Company is an investment holding company. The principal activities and other details of its principal subsidiaries are set out in note 34 to the financial statements.

## Results

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The results of the Group for the year ended 30th April, 2004 are set out in the consolidated income statement on page 13.

## Investment property

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The Group's investment property at 30th April, 2004 was revalued by an independent firm of professional valuers on an open market value basis. Details of the investment property of the Group are set out in note 12 to the financial statements.

## Property, plant and equipment

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Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

## Share capital

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Details of movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

## Distributable reserves

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At 30th April, 2004, the Company had no retained profits available for distribution.

## Directors and directors' service contracts

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

### Executive Directors

Mr. Lo Wai Shing, Felix

Mr. Lau Kevin

Ms. Leung Wai Kuen, Cerene

Mr. Yeung Kwok Biu, Johnson (resigned on 21st October, 2003)

### Independent Non-Executive Directors

Mr. Chu Chin Fan

Mr. Yeong Yun Hong, Gary

## Directors and directors' service contracts (continued)

In accordance with Clauses 86(2) and 87(1) of the Company's Bye-laws, Mr. Yeong Yun Hong, Gary retires and, being eligible, offers himself for re-election.

Mr. Chu Chin Fan and Mr. Yeong Yun Hong, Gary, independent non-executive directors, have separately entered into service agreements with the Company for an initial term of one year commencing 26th September, 2003 which can be terminated by either party giving not less than one calendar month prior notice in writing to the other party.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## Directors' interests in securities

At 30th April, 2004, the directors who had interests or short positions in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as 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"), were as follows:

Name of director	Capacity	Number of issued shares	Total percentage of shareholding	Share options granted but not exercised
Mr. Lo Wai Shing, Felix	Held by controlled corporation <i>(Note)</i>	835,500,000 (L)	24.6%	-
Mr. Lau Kevin	Beneficial owner	-	-	12,800,000

*Note:* The 835,500,000 shares are held by HK Sky Entertainment Holdings Limited, a company wholly-owned by Mr. Lo Wai Shing, Felix.

The letter "L" represents the directors interests in the shares.

Save as disclosed above, at 30th April, 2004, none of the directors, chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations.

## Share options

Details of the Company's share option scheme are set out in note 26 to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Outstanding at 1.5.2003	Lapsed during the year <i>(Note)</i>	Outstanding at 30.4.2004	Date of grant	Exercisable period	Exercise price per share HK\$
<b>(a) Director</b>						
Mr. Lau Kevin	12,800,000	-	12,800,000	24.6.2000	24.6.2000 to 9.11.2008	0.09
<b>(b) Employees</b>						
In aggregate	200,000	-	200,000	14.2.2000	14.2.2000 to 9.11.2008	0.18
	100,000	-	100,000	29.6.2000	29.6.2000 to 9.11.2008	0.09
	1,200,000	-	1,200,000	3.7.2000	3.7.2000 to 9.11.2008	0.09
	800,000	(220,000)	580,000	5.7.2000	5.7.2000 to 9.11.2008	0.09
	2,300,000	(220,000)	2,080,000			
	15,100,000	(220,000)	14,880,000			

Note: The share options previously granted to certain employees lapsed upon their resignation.

## Arrangements to purchase shares or debentures

Other than the option holding disclosed under "Share options", 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.

## Substantial shareholders

Other than as disclosed under section "Directors' interests in securities", as at 30th April, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Name of shareholder	Capacity	Number of ordinary share of the Company held	Percentage of shareholding
Karl Thomson Credit Limited	Security interest (Nominee)	648,600,000 (L) (Note)	19.06%
Mr. Yip Wai Chau	Beneficial owner	176,240,000 (L)	5.18%

Note: These shares have already been included in the interest held by Mr. Lo Wai Shing, Felix as disclosed in section headed "Directors' interests in securities".

The letter "L" represents the director's interests in the shares.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th April, 2004.

## Major customers and suppliers

During the year, the largest and the five largest customers of the Group accounted for approximately 58% and 76% of the Group's turnover respectively. The five largest suppliers of the Group accounted for less than 30% of the purchases of the Group.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in the five largest customers or suppliers of the Group.

## 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.

## 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.

## Directors' interest in competing business

During the year, none of the directors had any interests in competing business of the Company, which was required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## Directors' interests in contracts of significance

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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.

## Corporate governance

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The Company has complied throughout the year ended 30th April, 2004 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 two independent non-executive directors, Mr. Chu Chin Fan and Mr. Yeong Yun Hong, Gary. The audited final results for the year ended 30th April, 2004 has been reviewed by the Audit Committee.

## Other matters

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In the process of finalization of this final results, it was discovered that certain covenants of a bank facility agreement of a subsidiary cannot be fulfilled. The covenants require the subsidiary to maintain a certain amount of tangible net worth. The Board will negotiate with the lender so as to reach a remedy solution to the covenants. In any event, the Board believes that adequate alternative sources of finance are available to ensure the future operations of the Group.

Subsequent to the balance sheet date, the Group has obtained a medium term loan facility from an independent third party to finance working capital.

## Model code for securities transactions by directors

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The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## Auditors

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Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past two years. For the year ended 30th April, 2002, Messrs. Ernst & Young acted as auditors of the Company.

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

On behalf of the Board

**Lo Wai Shing, Felix**  
*Chairman*

Hong Kong  
26th August, 2004