

DIRECTORS' REPORT

The New Directors present the annual report and the audited financial statements for the year ended 31st March, 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 30 to the financial statements.

INCOMPLETE BOOKS AND RECORDS

In light of the incomplete books and records maintained by the Group, the New Directors are unable to identify all material factors underlying the Group's results and financial position and therefore unable to give an unqualified representation as to whether the following analysis in respect of amongst others, the operations, liquidity and financial resources of the Group during the year reflect a true and fair view of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

No major customers and suppliers analyses are disclosed in light of the incomplete books and records of the Group for the year ended 31st March, 2004.

RESULTS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 21.

SEGMENT INFORMATION

Details of the segment information are set out in note 5 to the financial statements.

RESERVES

Movement in the reserves of the Group and the Company for the year are set out in the consolidated statement of changes in equity on pages 24 and/or note 26 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of assets and liabilities of the Group for the past five financial years is set out on page 47.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

Details of movement in the investment properties of the Group are set out in note 13 to the financial statements.

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PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st March, 2004 are set out in note 30 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the financial statements.

FINANCIAL REVIEW

The Group's net liabilities approximated HK\$729 million as at 31st March, 2004 (2003: HK\$681 million). Increase in net liabilities was due to net loss of HK\$48 million for the year. The New Directors have given careful consideration to the future liquidity of the Group. Following the completion of the Restructuring Agreement, the New Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the New Directors have prepared the financial statements on a going concern basis.

Bank balances and cash and bank and other borrowings approximated HK\$1 million (2003: HK\$0.9 million) and HK\$553 million (2003: HK\$549 million) respectively as at 31st March, 2004.

The Group's borrowing from creditors bank were not repaid in accordance with the schedules set by the creditors bank and, became due for immediate repayment. As a result, the amounts outstanding to the creditors bank were reclassified as current liabilities.

Bank and other borrowings were principally denominated in Hong Kong and US dollars. As a result, there is minimal foreign exchange risk. Bank and other borrowings were subject to floating interest rates. The Group did not use financial instruments for hedging purposes and did not have foreign currency net investment being hedged by currency borrowing and other hedging instruments.

Due to the limited books and records available to the New Directors, the New Directors were unable to satisfy themselves as to the completeness of identification and the appropriateness of disclosure in respect of the potential claims, the commitments, the contingent liabilities and the pledge of assets in the financial statements as at 31st March, 2004.

BORROWINGS

Bank and other borrowings repayable within one year or on demand are classified as current liabilities. Details of the Group's and the Company's borrowings as at 31st March, 2004 were set out in note 23 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 29 to the financial statements.

SUSPENSION AND RESUMPTION OF TRADING

Trading in securities of the Company were suspended at 10:00 a.m. on 15th January, 2002 and resumed at 10:00 a.m. on 27th April, 2004.

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NEW DIRECTORS AND NEW DIRECTORS' SERVICE CONTRACTS

Following the completion of the Restructuring Proposal which took place on 23rd April, 2004, the following New Directors were appointed:

New Executive Directors:

Zen Wei Peu, Derek (*Chairman*)
Yu Sai Yen (*Vice Chairman*)

New Independent Non-executive Directors:

Chow Ming Kuen, Joseph
Ng Chi Ming, James

Details of the New Directors are set out in the section of Directors and Senior Management.

In accordance with Bye-law 94 of the Company's Bye-laws, Mr. Yu Sai Yen, Dr. Chow Ming Kuen, Joseph and Mr. Ng Chi Ming, James shall retire from office at the forthcoming annual general meeting, and being eligible, offer themselves for re-election. The remaining New Director continue in office.

Each of Messrs. Zen Wei Peu, Derek and Yu Sai Yen has entered into a service contract with the Company for a term of three years commencing on 1st May, 2004.

The New Independent Non-executive Directors have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

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

NEW DIRECTORS' INTEREST IN SECURITIES

The New Directors were appointed on 23rd April, 2004. Accordingly, none of the New Directors has interests in the Company during the year.

NEW DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

The New Directors were appointed on 23rd April, 2004. Accordingly, there is no contracts of significance to which the Company or any of its subsidiaries was a party and in which the New 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.

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OLD DIRECTORS' AND OLD DIRECTORS' SERVICE CONTRACTS

Following the completion of the Restructuring Proposal which took place on 23rd April, 2004, the following Old Directors of the Company were removed:

Old Executive Directors:

Choi Siu Lui, Shirley (*Chairman and Chief Executive Officer*)

Choi Sung Fung, Norman (*Deputy Chairman*)

Ou Yirong

Cheung Wing Hung, Vincent

Old Independent Non-executive Director:

Lau Kin Hon, Ronald

OLD DIRECTORS' INTEREST IN SECURITIES

Save as disclosed below and under the section headed "Share Option Scheme" below, to the best of the knowledge of the New Directors having made all reasonable enquiries, as at 31st March, 2004, none of the Old Directors of the Company and their associates had any interest in the securities of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred of therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Old Director	Name of associated corporation	Nature of Interest	Number of shares held
Choi Siu Lui, Shirley	Seapower Resources International Limited	Personal interest	500,000

Save as disclosed above, and under the section headed "Share Option Scheme" below. To the best knowledge of the New Directors, during the year, none of the Old Directors, old chief executives or their associates had any interests in any securities of the Company or any of its associated corporations, within the meaning of the SFO.

OLD DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Due to limited books and records available to the New Directors, the New Directors are unable to make any disclosure in the regards.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As trading in the securities of the Company has been suspended since 10:00 a.m. on 15th January, 2002, no transfer of shares have been effected and registered thereafter. To the best of the knowledge of the New Directors having made all reasonable enquiries, according to the past annual reports of the Company the following parties with interest representing 10% or more of the Company's issued share capital were recorded in the register of substantial shareholders maintained pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance as at 15th January, 2002:

Name of shareholders	Notes	Number of shares of the Company held			Percentage of Issued share capital %
		Direct interest	Deemed interest	Total interest	
Upyear		69,301,600	—	69,301,600	13.63
Norham	1	—	127,144,278	127,144,278	25.01
Celleroy (as trustee of the Celleroy Trust)	2	—	127,144,278	127,144,278	25.01

Notes:

1. Upyear is a wholly-owned subsidiary of Norham and the interest of Norham included its deemed interest in the 69,301,600 shares in the Company held by Upyear.
2. Celleroy as trustee of the Celleroy Trust was deemed to be interested in 127,144,278 shares in the Company held by Norham by virtue of the Celleroy Trust's interest in Norham.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31st March, 2004.

In addition, as at 31st March, 2004, the Company was notified by the following parties with interests representing 5% or more of the issued share capital of the Company pursuant to Section 336 of the SFO:

Name of shareholders	Number of shares of the Company held			Percentage of Issued share capital %
	Direct interest	Deemed interest	Total interest	
Bayerische Hyupo-und Vereinsbank AG	25,662,000	—	25,662,000	5.05
Chung Wai Kuen	40,020,000	—	40,020,000	7.87

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of any of the listed securities of the Company by the Company or any of its subsidiaries during the year. Trading in the shares of the Company has been suspended since 10:00 a.m. on 15th January, 2002.

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SHARE OPTION SCHEME

The Company operated a share option scheme for the purpose of providing incentives and rewards to eligible employees of the Group to subscribe for shares in the Company under the share option scheme of the Company adopted on 30th September, 1999. The share option scheme, unless otherwise cancelled or amended, was to remain in force for five years from the respective dates of acceptance of the offers. The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

Due to the financial difficulties of the Group, all the employment contracts of the staff and consultant were terminated before the year ended 31st March, 2003 and, as at 31st March, 2004, the outstanding options previously granted to the staff were not exercised and thus lapsed in accordance with the terms of the share option scheme.

Subsequent to the amended Chapter 17 of the Listing Rules with effect from 1st September, 2001, no further share options were granted under the share option scheme to any eligible employees of the Company or any of its subsidiaries (including executive Directors and other officers of the Company or its subsidiaries) to subscribe for shares in the Company in accordance with the terms of the share option scheme.

Save as disclosed above, to the best knowledge of the New Directors, at no time during the year was the Company or any of the subsidiaries a party to any arrangement to enable the Old Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Old Directors, chief executives or their spouses or children under the age of eighteen had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONNECTED TRANSACTION

Due to limited books and records available to the New Directors, the New Directors are unable to make any disclosure in the regards.

EMPLOYEE AND REMUNERATION POLICIES

The Group had no employee as at 31st March, 2004.

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

Confirmed with the Former Provisional Liquidators, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year, except (1) no audit committee meeting has been held, and (2) no full board meeting has been held since the appointment of the Former Provisional Liquidators, as the authority of all the Old Directors has been suspended.

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AUDITORS

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

On behalf of the Board

Zen Wei Peu, Derek

Chairman

19th May, 2004