

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

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 29 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest suppliers accounted for 34% of the Group's total purchases. The largest supplier accounted for 12% of the Group's total purchases.

During the year, the Group's five largest customers accounted for 54% of the Group's total sales. The largest customer accounted for 28% of the Group's total sales.

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

## RESULTS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 16. The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2004.

## FINANCIAL SUMMARY

A financial summary of the Group is set out on pages 51 and 52.

## SHARE CAPITAL AND WARRANTS

Details of the Company's share capital and warrants are set out in notes 18 and 20 to the financial statements respectively.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 10 to the financial statements.

## REPORT OF THE DIRECTORS

### DONATIONS

During the year, the Group made charitable donations amounting to approximately HK\$20,000.

### DIRECTORS AND SERVICE CONTRACTS

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

#### **Executive directors:**

KAN Shiu Cheong, Frederick, *Chairman*

CHAN Hoi Lam

YAU Kang Nam

JIANG Hai Qing

#### **Independent non-executive directors:**

LIU Ngai Wing

NG Sui Keung

In accordance with Bye-law 99(A) of the Company's Bye-laws, Messrs. Yau Kang Nam and Jiang Hai Qing will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The term of office for each of the independent non-executive directors is the period up to his retirement by rotation pursuant to the Company's Bye-laws.

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

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

No contracts of significance, to which the Company, its holding 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' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2004, the directors had interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") as follows:

### (i) Shares

Name of director	Capacity	Number of shares held Personal interest	Percentage of the issued share capital
Kan Shiu Cheong, Frederick	Beneficial owner	77,358,000	1.98%
Yau Kang Nam	Beneficial owner	28,000,000	0.72%

### (ii) Underlying shares

Name of director	Capacity	Outstanding number of shares issuable under the options granted pursuant to the share option scheme adopted on		Total
		19.2.1992	29.8.2002	
Chan Hoi Lam	Beneficial owner	11,182,000	28,000,000	39,182,000
Yau Kang Nam	Beneficial owner	–	6,000,000	6,000,000
Jiang Hai Qing	Beneficial owner	10,000,000	10,000,000	20,000,000

Saved as disclosed above, none of the directors or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## REPORT OF THE DIRECTORS

### DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31st March, 2004, the following substantial shareholder had interests and short positions as recorded in the register maintained by the Company pursuant to Section 336 of the SFO in the shares of the Company:

#### Shares

Name of shareholder	Capacity	Number of shares held	Percentage of issued share capital
First Century Holdings Limited	Beneficial owner	2,058,869,889	52.77%

Save as disclosed above, the Company had not been notified of any other persons who had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 336 of the SFO as at 31st March, 2004.

### SHARE OPTION SCHEME

On 29th August, 2002, the Company adopted a share option scheme (the "New Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the New Scheme the directors may, at their discretion, offer any eligible participant (including any director of the Company or any of its subsidiaries) options to subscribe for shares in the Company subject to the terms and conditions stipulated in the New Scheme. As at 1st April, 2003, there were no outstanding options under the New Scheme. During the year ended 31st March, 2004, 152,300,000 options were granted under the New Scheme. The Directors considered that it is not appropriate to value options granted under the New Scheme during the year as a number of factors critical for the valuation of the options granted cannot be determined accurately. In the absence of a readily available market value of the options under the New Scheme, any valuation of the options granted based on various speculative assumptions would be meaningless and could be misleading to the shareholders.

The financial impact of options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their costs. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

Details of the options granted, exercised and lapsed during the year and options outstanding as at 31st March, 2004 under the New Scheme are as follows:

Name or category of participant	Date of grant (Notes 1 & 2)	Exercise period (Note 1)	Exercise price per share (Note 3) HK\$	Number of share options			Weighted average closing price (Note 4) HK\$	
				Granted during the year	Exercised during the year	Lapsed during the year		Outstanding at 31.3.2004
<b>Directors</b>								
Kan Shiu Cheong, Frederick	3.4.2003	3.4.2003 to 2.4.2006	0.018	30,000,000	(30,000,000)	-	-	0.0180
Chan Hoi Lam	3.4.2003	3.4.2003 to 2.4.2006	0.018	28,000,000	-	-	28,000,000	-
Yau Kang Nam	3.4.2003	3.4.2003 to 2.4.2006	0.018	16,000,000	(10,000,000)	-	6,000,000	0.0180
Jiang Hai Qing	3.4.2003	3.4.2003 to 2.4.2006	0.018	10,000,000	-	-	10,000,000	-
				84,000,000	(40,000,000)	-	44,000,000	
<b>Employees/Consultants</b>								
In aggregate	3.4.2003	3.4.2003 to 2.4.2006	0.018	68,300,000	(3,550,000)	(1,850,000)	62,900,000	0.0280
Total				152,300,000	(43,550,000)	(1,850,000)	106,900,000	

The Company had also adopted a share option scheme (the "Old Scheme") on 19th February, 1992. The Old Scheme expired on 18th February, 2002 and no further options could be granted under the Old Scheme thereafter. However, the options granted under the Old Scheme which have not been fully exercised remain valid until such time when such options are fully exercised or have lapsed and will continue to be administered under the rules of the Old Scheme. Details of the Old Scheme are set out in note 19.

Details of the movements in the number of options outstanding during the year which have been granted under the Old Scheme are as follows:

Name or category of participant	Date of grant (Notes 1 & 2)	Exercise period (Note 1)	Exercise price per share (Note 3) HK\$	Number of share options			Weighted average closing price (Note 4) HK\$
				Outstanding at 1.4.2003	Exercised during the year	Outstanding at 31.3.2004	
<b>Directors</b>							
Chan Hoi Lam	31.8.2001	31.8.2001 to 30.8.2004	0.01344	11,182,000	-	11,182,000	-
Jiang Hai Qing	18.2.2002	18.2.2002 to 17.2.2005	0.02400	10,000,000	-	10,000,000	-
				21,182,000	-	21,182,000	
<b>Employees</b>							
In aggregate	31.8.2001	31.8.2001 to 30.8.2004	0.01344	10,000,000	(10,000,000)	-	0.027
	31.8.2001	1.6.2002 to 31.5.2005	0.01344	3,000,000	(3,000,000)	-	0.027
	18.2.2002	1.6.2002 to 31.5.2005	0.02400	4,000,000	-	4,000,000	-
				17,000,000	(13,000,000)	4,000,000	
Total				38,182,000	(13,000,000)	25,182,000	

## REPORT OF THE DIRECTORS

### Notes:

1. All dates are shown day/month/year.
2. The vesting period of the options is from the date of grant until the commencement of the exercise period.
3. The closing price of the Company's shares immediately before the date on which the options were granted was HK\$0.018.
4. The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised.

Save as disclosed above, none of the directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

### 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 is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

### CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year.

### AUDIT COMMITTEE

The Company has an audit committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

### 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.

On behalf of the Board

**Kan Shiu Cheong, Frederick**  
*Chairman*

Hong Kong  
7th July, 2004