

REPORT OF THE DIRECTORS

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of corporate management services. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 63.

An interim dividend of HK0.5 cent per ordinary share was paid on 9 January 2004. The directors recommend the payment of a final dividend of HK0.5 cent per ordinary share in respect of the year, subject to the approval of the shareholders at the forthcoming annual general meeting. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group is set out on pages 65 and 66 of this annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on page 64.

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.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 26 and 27 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

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DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK\$64,670,000. In addition, the Company's share premium account, in the amount of approximately HK\$75,391,000 at 31 March 2004, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions of approximately HK\$20,000 (2003: HK\$67,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, contract revenue earned from the Group's five largest customers accounted for approximately 92% (2003: 91%) of the total contract revenue for the year and contract revenue earned from the largest customer included therein accounted for approximately 79% (2003: 66%).

Subcontracting charges paid to the Group's five largest suppliers accounted for approximately 34% (2003: less than 30%) of the total subcontracting charges and materials costs incurred for the year. Subcontracting charges paid to the largest supplier included therein accounted for approximately 17%.

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

DIRECTORS

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

Executive directors:

Mr. Ngai Chun Hung (*Chairman*)

Mr. Yau Kwok Fai (*Deputy Chairman, further appointed Chief Executive Officer on 19 July 2004*)

Mr. Shek Yu Ming Joseph

Mr. Li Chi Pong (*appointed on 17 May 2004*)

Independent non-executive directors:

Professor Ko Jan Ming

Mr. Ip Kwok Him, JP

In accordance with the Company's bye-laws, Mr. Ip Kwok Him, JP will retire by rotation at the forthcoming annual general meeting and Mr. Li Chi Pong holds office only until the forthcoming annual general meeting. Both Mr. Ip and Mr. Li being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors were appointed for an initial period of two years ended on 31 August 2002, which has been extended for a further two-year period as agreed between the respective directors and the Company.

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DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except Mr. Li Chi Pong who was appointed executive director of the Company on 17 May 2004, has entered into a service contract with the Company for an initial period of three years commencing from 1 September 2000 and such contracts continue thereafter until terminated by either party by giving a six-month notice.

Mr. Li entered into a service contract with the Company that commenced from 17 May 2004 and continue without a fixed period until terminated by either party by giving a six-month notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to 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, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Ngai Chun Hung ("Mr. Ngai")	(a)	As beneficiary of a trust	490,934,400	52.18
Mr. Yau Kwok Fai ("Mr. Yau")	(b)	Through controlled corporation	30,888,000	3.28

Notes:

- (a) These shares are legally and beneficially owned by Winhale Ltd. ("Winhale"), which is a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by Xyston Trust. Xyston Trust is a discretionary family trust set up by Mr. Ngai for the benefits of Mr. Ngai and his family members.
- (b) These shares are legally and beneficially owned by Business Success Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yau.

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the previous minimum company membership requirements of the Hong Kong Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares in a subsidiary which practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution on winding-up of the subsidiary.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were there any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 5 August 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "2002 Share Option Scheme") and the termination of the share option scheme adopted by the Company on 17 August 2000 (the "2000 Share Option Scheme").

Particulars of the share option schemes of the Company are disclosed in note 27 to the financial statements.

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Winhale Ltd.	(a)	Directly beneficially owned	490,934,400	52.18
Braveway Limited	(b)	As trustee	490,934,400	52.18
HSBC International Trustee Limited	(c)	As trustee	490,934,400	52.18
Guideshare Investments Limited	(d)	Directly beneficially owned	47,546,628	5.05
Ms. Shek Yuen Ling	(d)	Through controlled corporation	47,546,628	5.05

Notes:

- (a) The above interest in the name of Winhale Ltd. ("Winhale") was also disclosed as interest of Mr. Ngai under the heading "Directors' interests and short positions in shares and underlying shares". In addition, these shares are ultimately beneficially owned by Xyston Trust.
- (b) Winhale is wholly owned by the Braveway Unit Trust. Braveway Limited being the trustee of the Braveway Unit Trust is deemed to be interested in the 490,934,400 shares in the Company held by Winhale.
- (c) HSBC International Trustee Limited being the trustee of Xyston Trust is deemed to be interested in the 490,934,400 shares in the Company owned by Xyston Trust.
- (d) Ms. Shek Yuen Ling, who controls Guideshare Investments Limited, is deemed to be interested in the shares held by Guideshare Investments Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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CONNECTED TRANSACTIONS

Connected transactions required to be disclosed in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 March 2004 included the subcontracting fees amounting to approximately HK\$9,177,000 paid to close family members of Mr. Ngai Chun Hung, the Chairman of the Company (the "Ongoing Connected Transactions").

The independent non-executive directors of the Company have reviewed the terms of the Ongoing Connected Transactions and confirmed that:

1. the Ongoing Connected Transactions were:
 - (i) entered into by the Group in the ordinary and usual course of business;
 - (ii) conducted either (A) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (B) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - (iii) entered into either (A) in accordance with the terms of the agreement governing such Ongoing Connected Transactions or (B) (where there are no such agreement) on terms no less favourable than those available to or from independent third parties;
2. the aggregate amount of the Ongoing Connected Transactions for the year ended 31 March 2004 did not exceed the cap amount of the higher of either:
 - (i) HK\$10,000,000; or
 - (ii) 3% of the net tangible assets value of the Group as of 31 March 2004.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 34 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by this annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, 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.

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AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ngai Chun Hung

Chairman

Hong Kong, 19 July 2004