

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 31 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 14.

FINANCIAL SUMMARY

A summary of the Group's results and its assets and liabilities for the past five years is set out on pages 55 to 56.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in Group's property, plant and equipment are set out in note 11 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital of the Company are set out in note 22 to the financial statements.

Details of movements during the year in the share options of the Company are set out in note 27 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors

Mr. Chang Chung Wa, Eddie
Ms. Tang Kit Ching, Venus

Independent non-executive directors

Dr. Li Chi Kwong
Prof. Pan Xiao Mei

In accordance with Clause 87 of the Company's Bye-laws, Ms. Tang Kit Ching, Venus retires and, being eligible, offers herself for re-election at the forthcoming annual general meeting.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)

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

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing on 1st May, 2000, which will continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

Other than disclosed above, no 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.

DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2004, the interest of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares and underlying shares of the Company:

Name of director	Number of shares held as			Approximate % of the issued share capital	Equity derivatives (share options)
	Beneficial owner	Other interests	Total		
Mr. Chang Chung Wa, Eddie ("Mr. Chang")	1,520,000	112,800,000 (Note 1)	114,320,000	56.00	4,700,000
Ms. Tang Kit Ching, Venus ("Ms. Tang")	–	28,200,000 (Note 2)	28,200,000	13.81	4,700,000
Dr. Li Chi Kwong	100,000	–	100,000	0.05	500,000
Prof. Pan Xiao Mei	–	–	–	–	100,000

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SECURITIES (Continued)

SHARES (Continued)

Notes:

- (1) Tactful Finance Limited, a company incorporated in the British Virgin Islands, held 112,800,000 ordinary shares of the Company. Tactful Finance Limited is wholly owned by Spiritrider Development Inc., a company incorporated in the British Virgin Islands.

The entire issued share capital of Spiritrider Development Inc. is owned by A-One International Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Maple Securities Limited, a limited liability company incorporated in the British Virgin Islands, which is a discretionary trust set up by Mr. Chang, the trustee of which is HSBC International Trustee Limited. Beneficiaries of the trust include the family members of Mr. Chang.

- (2) Rubyrider Development Corp., a company incorporated in the British Virgin Islands, held 28,200,000 ordinary shares of the Company. The entire issued share capital of Rubyrider Development Corp., is owned by Ms. Tang.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations, which were recorded in the register as required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 27 to the financial statements.

The following table discloses the share options of the Company's directors at the balance sheet date:

Director	Notes	Option grant date	Exercise price HK\$	Outstanding
Dr. Li Chi Kwong	(1)	5th September, 2000	0.770	500,000
Prof. Pan Xiao Mei	(1)	5th September, 2000	0.770	100,000
Mr. Chang Chung Wa, Eddie	(2)	21st May, 2001	0.260	4,700,000
Ms. Tang Kit Ching, Venus	(2)	21st May, 2001	0.260	4,700,000
				<u>10,000,000</u>

There were no movements of share options held by the Company's directors during the year.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

SHARE OPTIONS (Continued)

Notes:

- (1) The exercise period is divided into two tranches with 50% exercisable during the period from 26th August, 2001 to 25th August, 2005 and the other 50% exercisable during the period from 26th August, 2002 to 25th August, 2005.
- (2) The exercise period is from 7th May, 2002 to 6th May, 2006.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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.

CONNECTED TRANSACTIONS

On 3rd March, 2004, the Group disposed two motor vehicles to Mr. Chang Chung Wa, Eddie at a consideration of HK\$950,000.

The independent non-executive directors confirm that the transactions have been entered into by the Group in the ordinary course of business. Other than as disclosed above, no contracts of significant to which the Company or 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interests and short positions disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31st March, 2004.

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.

CORPORATE GOVERNANCE

To the knowledge of the directors, the Company has complied throughout the year ended 31st March, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

DIRECTORS' REPORT (Continued)

PRE-EMPTIVE RIGHTS

There is no provision 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.

AUDITORS

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

On behalf of the Board
Chang Chung Wa, Eddie
CHAIRMAN

Hong Kong, 14th July, 2004