

REPORT OF THE DIRECTORS

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 and associates are set out in notes 35 and 15 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 17.

The directors do not recommend the payment of a dividend for the year ended 31st March, 2004.

INVESTMENT PROPERTIES

During the year, the Group sold an investment property with a carrying value of HK\$55,000,000 upon the sale of a subsidiary. The Group's remaining investment properties were revalued on 31st March, 2004. The surplus arising on the revaluation amounting to HK\$1,450,000 has been credited directly to the income statement in the current year, as a deficit has been previously charged to the income statement.

Details of these and other movements in the investment properties of the Group during the year are set out in note 11 to the financial statements.

Particulars of the major investment properties of the Group at 31st March, 2004 are set out on page 74.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

PRINCIPAL SUBSIDIARIES

In October 2003, the Group sold its entire interest in Glad & Nice Limited, which was engaged in property holding and investment, at a consideration of HK\$94,000,000, resulting in a gain of HK\$83,922,000.

In February 2004, the Group sold its entire interest in Chip Plus Development Incorporated, which was engaged in investment holding, at a consideration of HK\$30,000,000, resulting in a gain of HK\$20,500,000.

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PRINCIPAL SUBSIDIARIES *(Continued)*

In February 2004, the Group acquired the entire issued share capital of Active Ocean Investments Limited for a consideration of HK\$40,000,000. It holds 100% interest in Admomentum Limited which in return owns 49% interest in 北京中青傳智廣告藝術有限公司 which is not regarded as associate of the Group because the Group has no significant influence over its affairs.

SHARE CAPITAL AND WARRANTS

Details of movements in share capital and outstanding warrants of the Company during the year are set out in notes 22 and 24 to the financial statements.

DIRECTORS

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

Executive directors:

Dong Bo, Frederic (*Chairman*)

Lau Man Tak

Independent non-executive directors:

Kan Kwok Shu

Shum Ka Hei

Zuo Guang

(appointed on 16th January, 2004)

Pang Haiou

(appointed on 12th March, 2004)

In accordance with Clause 87(2) of the Company's bye-laws, Mr. Lau Man Tak will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Clause 86(2) of the Company's bye-laws, Mr. Zuo Guang and Pang Haiou will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

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DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2004, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained 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 contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Capacity	Number of issued ordinary shares held (note)	Percentage of the issued share capital of the Company
Dong Bo, Frederic	Held by Corporation	1,030,468,350	22.84%

Note: United Jumbo Limited ("United Jumbo") holds the 1,030,468,350 shares of the Company and is beneficially wholly-owned by Dong Bo, Frederic.

Other than disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as at 31st March, 2004, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company has two share option schemes which were adopted on 9th April, 2001 (the "2001 Scheme") and 24th April, 2002 (the "2002 Scheme"), respectively. Particulars of these schemes and details of the directors' interests in share options to subscribe for shares in the Company are set out in note 23 to the financial statements.

No share options were granted or exercised under the 2002 Scheme during the year.

At 31st March, 2004, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 593,830,000, representing 13.2% of the total number of shares of the Company in issue at that date.

REPORT OF THE DIRECTORS

SHARE OPTIONS *(Continued)*

Other than as disclosed above, 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 debt securities (including debentures) of, the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as mentioned above under the section headed "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 or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

Other than disclosed above under the section headed "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES", at 31st March, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the share capital of the Company.

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
United Jumbo Limited	Beneficial owner	1,030,468,350	22.84%
Lee Wai Man	Beneficial owner	15,130,000	0.34%
	Held by Spouse	865,520,350 <i>(Note 1)</i>	19.18%
		880,650,350	19.52%
Ma Siu Fong	Held by Spouse	15,130,000 <i>(Note 2)</i>	0.34%
	Held by controlled corporation	865,520,350 <i>(Note 1)</i>	19.18%
		880,650,350	19.52%
Chu Yuet Wah	Held by controlled corporation	865,520,350 <i>(Note 1)</i>	19.18%

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SUBSTANTIAL SHAREHOLDERS (Continued)

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Kingston Finance Limited	Beneficial owner	865,520,350	19.18%
Cheung Yu Shum, Jenkin	Held by controlled corporation	540,000,000 (Note 3)	11.97%
Interpool Holdings Limited	Beneficial owner	540,000,000	11.97%
Hu Die Fei	Beneficial owner	445,530,000	9.88%

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31st March, 2004 as required pursuant to Section 336 of the SFO.

Notes:

1. These 865,520,350 shares are beneficially owned by Kingston Finance Limited ("Kingston"). Ms. Ma Siu Fong is deemed to be interested in these shares as she beneficially owns 49% of Kingston. Ms. Chu Yuet Wah is deemed to be interested in these shares as she beneficially owns 51% of Kingston. Mr. Lee Wai Man is the husband of Ms. Ma Siu Fong and is deemed to be interested in 865,520,350 shares beneficially owned by Ms. Ma Siu Fong.
2. Ms. Ma Siu Fong is the wife of Mr. Lee Wai Man and is deemed to be interested in 15,130,000 shares beneficially owned by Mr. Lee Wai Man.
3. Mr. Cheung Yu Shum, Jenkin is deemed to be interested in 540,000,000 shares of the Company as he beneficially owns 100% of Interpool Holdings Limited.

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CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

- (a) As at 31st March, 2004, the Group had pledged a bank deposit of approximately HK\$5.0 million to a bank in respect of credit facilities granted to a non-wholly subsidiary of the Company, Prosper City International Limited ("Prosper City"). At 31st March, 2004, the facilities utilised by Prosper City amounted to approximately HK\$4.9 million.
- (b) The minority shareholder (also a director) of Prosper City pledged certain bank deposits of approximately HK\$7 million and granted his personal guarantee to an extent of HK\$5 million in respect of other credit facilities granted to Prosper City. At 31st March, 2004, the facilities utilised by Prosper City amounted to approximately HK\$6.8 million.
- (c) During the year, the Group paid approximately HK\$960,000 to Konher Limited ("Konher"), a company beneficially owned by the minority shareholder of Prosper City, in respect of rental of premises services provided by Konher.
- (d) The minority shareholder of Shanghai Hualong Construction Stock Co., Ltd. ("Shanghai Hualong Construction"), a non-wholly owned subsidiary of the Company, and its affiliates had pledged certain properties and had given corporate guarantee to certain banks in respect of credit facilities granted to Shanghai Hualong Construction. At 31st March, 2004, the facilities utilised by Shanghai Hualong Construction amounted to approximately HK\$117.3 million.

Save as disclosed above, no other 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers were less than 30% of the Group's sales for the year. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchase for the year.

At no time during the year did the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers or suppliers of the Group.

REPORT OF THE DIRECTORS**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

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.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 34 to the financial statements.

CORPORATE GOVERNANCE

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 Rules Governing the Listing of Securities on the Stock Exchange.

AUDITORS

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

Dong Bo, Frederic

Chairman

Hong Kong, 27th July, 2004