



DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the period from 1st May 2003 to 31st March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries and associates are set out in notes 42 and 16 respectively to the financial statements.

CHANGE OF FINANCIAL YEAR END DATE

In order to enable the Company to have the same financial year end as that of the major operating subsidiaries of the Company, during the period, the Company changed its financial year end date from 30th April to 31st March. Therefore, the financial statements for the current period cover an eleven-month period from 1st May 2003 to 31st March 2004.

RESULTS AND APPROPRIATIONS

The results of the Group for the period are set out in the consolidated income statement on page 21.

The Directors recommended the payment of a final dividend of 1.0 HK cent (year ended 30th April 2003: Nil) per share for the period from 1st May 2003 to 31st March 2004 to shareholders whose names appear on the register of members of the Company on 23rd September 2004, subject to the approval by shareholders at the forthcoming Annual General Meeting.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the period are set out in note 13 to the financial statements.

DIRECTORS' REPORT *(continued)*

SHARE CAPITAL

On 29th January 2003, a proposal of an open offer on the basis of an assured allotment of five offer shares for every ordinary share held by the qualifying shareholders as referred to the proposal was announced. Upon the close of the open offer on 14th May 2003, the issued share capital of the Company increased from 101,911,203 to 611,467,218 ordinary shares of HK\$0.01 each by issuing 509,556,015 new ordinary shares.

Further details of in relation to the share capital of the Company are set out in note 26 to the financial statements.

DIRECTORS

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

Executive directors

Mr. Kok Kin Hok
Mr. Lam Bing Sum
Mr. Lian Song Qing

Non-executive director

Mr. Hou Ziqiang

Independent non-executive directors

Dr. Li Jianhua
Dr. Yang Shiqin
Mr. Wang Shunian

In accordance with the Company's Bye-laws, all directors retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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' REPORT *(continued)***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHARE OPTIONS OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

At 31st March 2004, the interests of the directors and chief executive of the Company in the shares and share options of the Company and its associated corporation (within the meaning of the Securities and Future Ordinance (the "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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions*(a) Ordinary shares of HK\$0.01 each of the Company*

Name of directors	Interest in shares/ underlying shares	Number of shares held			Percentage of shares in issue
		Personal interests	Corporate interests	Aggregate interests	
Mr. Kok Kin Hok	Shares	–	321,525,993	321,525,993	
	Share options	6,100,000	–	6,100,000	
				<u>327,625,993</u>	53.58%
Mr. Lam Bing Sum	Share options	6,100,000	–	6,100,000	1.00%
Mr. Lian Song Qing	Shares	2,400,000	–	2,400,000	
	Share options	6,100,000	–	6,100,000	
				<u>8,500,000</u>	1.39%

Note: These shares are legally owned by Anglo Express Group Limited ("AEGL") and All About Investments Limited ("All About"), companies incorporated in the British Virgin Islands whose entire issued share capital are legally and beneficially owned by Mr. Kok Kin Hok.

(b) Share options

Details of the outstanding share options granted by the Company to the directors of the Company as at 31st March 2004 were set out under the heading of "Share options" below.

DIRECTORS' REPORT *(continued)***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHARE OPTIONS OF THE COMPANY OR ANY ASSOCIATED CORPORATION** *(continued)*

(c) Ordinary shares of 500 Korean Won each in Ezze Mobile Tech., Inc. ("Ezze Mobile")

Name of directors	Number of issued ordinary shares held		Percentage of the issued share capital of Ezze Mobile
	Personal interests	Corporate interests	
Mr. Kok Kin Hok	–	1,760,000 <i>(note)</i>	33.98%
Mr. Lam Bing Sum	352,000	–	6.80%

Note: These shares were held by a subsidiary of the Company. By virtue of his interests in the issued ordinary shares of the Company, Mr. Kok Kin Hok has a duty of disclosure under the SFO in relation to the said shares in Ezze Mobile.

Other than the holdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the directors, chief executive and their associates had any interests or short positions in any shares, share options, underlying shares or debentures of the Company or any of its associated corporation as at 31st March 2004.

DIRECTORS' REPORT (continued)**SHARE OPTIONS**

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

The following table discloses details of share options outstanding under the Company's share option schemes and movements during the period:

	Outstanding at 1st May 2003 <i>(note)</i>	Granted during the period	Lapsed during the period	Outstanding at 31st March 2004 <i>(note)</i>	Number of underlying shares	Exercise price per share <i>(note)</i>	Date of grant	Exercisable period
Directors								
Mr. Kok Kin Hok	-	2,500,000	-	2,500,000	2,500,000	HK\$0.306	27th October 2003	27th October 2003 to 26th October 2008
	3,600,000	-	-	3,600,000	3,600,000	HK\$0.9936	31st August 2001	1st September 2001 to 31st August 2005
	<u>3,600,000</u>	<u>2,500,000</u>	<u>-</u>	<u>6,100,000</u>	<u>6,100,000</u>			
Mr. Lam Bing Sum	-	3,700,000	-	3,700,000	3,700,000	HK\$0.306	27th October 2003	27th October 2003 to 26th October 2008
	2,400,000	-	-	2,400,000	2,400,000	HK\$0.9936	31st August 2001	1st September 2001 to 31st August 2005
	<u>2,400,000</u>	<u>3,700,000</u>	<u>-</u>	<u>6,100,000</u>	<u>6,100,000</u>			
Mr. Lian Song Qing	-	6,100,000	-	6,100,000	6,100,000	HK\$0.306	27th October 2003	27th October 2003 to 26th October 2008

DIRECTORS' REPORT (continued)**SHARE OPTIONS** (continued)

	Outstanding at 1st May 2003 (note)	Granted during the period	Lapsed during the period	Outstanding at 31st March 2004 (note)	Number of underlying shares	Exercise price per share (note)	Date of grant	Exercisable period
Employees	-	29,400,000	-	29,400,000	29,400,000	HK\$0.306	27th October 2003	27th October 2003 to 26th October 2008
	8,400,000	-	-	8,400,000	8,400,000	HK\$0.9936	31st August 2001	1st September 2001 to 31st August 2005
	4,320,000	-	(4,320,000)	-	-	HK\$1.0482	3rd January 2000	3rd January 2000 to 2nd January 2004
	112,320	-	(112,320)	-	-	HK\$2.6022	3rd July 1997	3rd July 1997 to 2nd July 2007
	34,560	-	(34,560)	-	-	HK\$3.1437	13th July 1996	13th July 1996 to 12th July 2006
	<u>12,866,880</u>	<u>29,400,000</u>	<u>(4,466,880)</u>	<u>37,800,000</u>	<u>37,800,000</u>			

Note: The exercise prices and the number of share options outstanding as at 1st May 2003 have been adjusted for the Capital Restructuring as mentioned in note 26 to the financial statements.

The closing price of the Company's shares on 24th October 2003, the business day before the date of grant of options in the period, was HK\$0.29.

The directors do not consider it appropriate to disclose a theoretical value of the options granted during the period to the directors and employees because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful and would be misleading.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

Other than the option holdings disclosed above, at no time during the period was the Company or any of its subsidiaries, party to any arrangements to enable the directors 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 neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS IN CONTRACTS

Details of the Group's transactions with China Kejian Corporation Limited ("China Kejian") and Ezze Mobile are set out in note 41 to the financial statements. China Kejian is a company in which Mr. Hou Ziqiang and Mr. Kok Kin Hok are the chairman and the managing director respectively. They have significant control on the day-to-day operations of this company. Ezze Mobile is an associate of the Group in which Mr. Lam Bing Sum held a direct 6.8% equity interest as at 31st March 2004.

Save as disclosed above, no 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 period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

At 31st March 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executive, the following shareholders had notified the Company of its interests in the issued share capital of the Company:

Long positions

Name of shareholders	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
All About	287,544,153	47.03%
AEGL	33,981,840	5.56%

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31st March 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied throughout the period with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the non-executive directors of the Company are not appointed for any specific terms. According to the Company's Bye-laws, non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

DIRECTORS' REPORT *(continued)*

AUDIT COMMITTEE

The Company has established an audit committee since December 1998 ("the Committee") with written terms of reference. The Committee's principal duties are the review and supervision of the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors. Two meetings were held during the current period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial period from 1st May 2003 to 31st March 2004, the five largest suppliers of the Group accounted for approximately 85% of the total purchases of the Group, of which 43% was attributable to the largest supplier and the five largest customers accounted for approximately 71% of the total sales of the Group's turnover, of which 28% was attributable to the largest customer.

At 31st March 2004, the Group's third largest supplier is an associate of the Group in which Mr. Lam Bing Sum held a direct 6.8% equity interest.

Mr. Hou Ziqiang and Mr. Kok Kin Hok are the chairman and the managing director of the Group's second largest customer respectively. They have significant control on the day-to-day operations of that customer.

Save as disclosed above, none of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers and customers noted above.



DIRECTORS' REPORT *(continued)*

AUDITORS

During the period, Messrs. PricewaterhouseCoopers resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

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

On behalf of the Board

Kok Kin Hok

Chairman

Hong Kong, 23rd July 2004