

The directors herein present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the financial year.

RESULTS AND DIVIDENDS

The Group's loss for the financial year ended 31 March 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 18 to 62.

The directors do not recommend the payment of any dividend in respect of the financial year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 March 2004, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 63 and 64, respectively. The 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 financial year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 65.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the share capital, share options and warrants of the Company during the financial year, together with the reasons therefor, are set out in notes 23 and 24 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the financial year are set out in note 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of HK\$186,548,000 may be distributed under certain circumstances and accordingly, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 amounting to HK\$140,405,000 as at 31 March 2004. In addition, the Company's share premium account and capital redemption reserve, amounting to HK\$1,040,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 March 2004, the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

DIRECTORS

The directors of the Company during the financial year ended 31 March 2004 were:

Kwong Kai Sing, Benny (*Chairman*)

Ong Peter (*Managing Director*) (appointed on 27 June 2003)

Poon Chi Wan

Chung Yuk Lun*

Chan Sze Hung**

To Shing Chuen**

* *Non-executive director*

** *Independent non-executive director*

Subsequent to the balance sheet date, on 13 April 2004, Mr. Frank H. Miu was appointed as an independent non-executive director of the Company.

In accordance with bye-law 91 of the Company's bye-laws, Mr. Frank H. Miu will retire from office and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 99 of the Company's bye-laws, Mr. Chung Yuk Lun will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors 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 had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the financial 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 and warrants 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 (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the ordinary shares of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	Total	
Kwong Kai Sing, Benny	(a)	—	326,830,000	326,830,000	14.56
Ong Peter	(b)	—	194,200,000	194,200,000	8.65
Poon Chi Wan		7,310,000	—	7,310,000	0.33
		<u>7,310,000</u>	<u>521,030,000</u>	<u>528,340,000</u>	<u>23.54</u>

Notes:

- (a) These shares were held by Fortuna Investments Group Limited ("Fortuna"). Fortuna is a wholly-owned subsidiary of Goldworld Development Limited, a company wholly-owned by Mr. Kwong Kai Sing, Benny.
- (b) These shares were held by Sovicotra Capital Limited ("Sovicotra"). Sovicotra is a company wholly-owned by Mr. Ong Peter.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2004, none of the directors had registered an interest in the shares or underlying shares 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and in the share option scheme disclosures in note 24 to the financial statements, at no time during the financial year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Concerning the share options granted during the financial year to the employees as detailed in note 24 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because in the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of the share options.

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

At 31 March 2004, the following interests of 5% or more of the issued share capital and warrants 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:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of warrants held
Kwong Kai Sing, Benny	(a)	Through a controlled corporation	326,830,000	14.56	—
Goldworld Development Limited	(a)	Through a controlled corporation	326,830,000	14.56	—
Fortuna Investments Group Limited	(a)	Directly beneficially owned	326,830,000	14.56	—
Ong Peter	(b)	Through a controlled corporation	194,200,000	8.65	—
Sovicotra Capital Limited	(b)	Directly beneficially owned	194,200,000	8.65	—

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Long positions: (continued)

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of warrants held
China Sci-Tech Holdings Limited	(c)	Through a controlled corporation	113,350,000	5.05	—
Perfect Touch Technology Inc.	(c)	Through a controlled corporation	113,350,000	5.05	—
Skytop Technology Limited	(c)	Directly beneficially owned	113,350,000	5.05	—
Ho Hung Sun, Stanley		Directly beneficially owned	93,653,550	4.17	18,730,710

Notes:

- (a) These shares represented the same parcel of shares, further details of which are included in note (a) of "Directors' interests and short positions in shares and underlying shares" above.
- (b) Further details of these shares are included in note (b) of "Directors' interests and short positions in shares and underlying shares" above.
- (c) These shares represented the same parcel of shares and were held by Skytop Technology Limited ("Skytop"). Skytop is a wholly-owned subsidiary of Perfect Touch Technology Inc., a company wholly-owned by China Sci-Tech Holdings 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.

CONNECTED TRANSACTIONS

As announced by the Company on 22 December 2003, the Group acquired 20% of the issued share capital of a Macau-incorporated company, King Kong International Investments Limited (in Portuguese, King Kong Internacional Investimentos, Limitada) (“King Kong”), from Mr. Ong Peter, a director of the Company, on 17 December 2003 at a consideration of HK\$24,500. Mr. Ong Peter remains as a director and a shareholder of King Kong holding a 30% interest in the issued share capital of King Kong after the said shares disposal by him. King Kong is principally engaged in the casino services and gaming businesses at the Neptune VIP Club located at the Lisboa Casino at Macau (the “Operation”). Subsequent to the acquisition of the interest in King Kong, the Group has provided a shareholder loan of HK\$40,000,000 to King Kong in accordance with the verbal agreement between the shareholders of King Kong. The loan to King Kong is interest-free, unsecured and has no fixed repayment terms.

Initially and as agreed between King Kong, the casino operator of the Lisboa Casino (the “Casino Operator”) and other relevant parties, the Neptune VIP Club should be entitled to share the profit and loss of the Operation after betting tax with the Casino Operator on the basis of a profit sharing ratio of 30:70, respectively. Subsequent to the aforesaid verbal agreement, it was later on agreed between all relevant parties that the profit sharing ratio between the Neptune VIP Club and the Casino Operator be revised to 40.25:59.75, respectively, effectively from 1 February 2004.

On acquisition of the 20% interest in King Kong, the Group was informed by King Kong that 50% of King Kong’s share of the profits after betting tax generated from the Operation will be distributed to its shareholders. Subsequently the Group was informed by King Kong that for the month ended 31 January 2004 and the months onwards, King Kong has distributed 100% of its share of the profits after betting tax generated from the Operation and that it is the current intention of King Kong that 100% of the profits so shared by King Kong will continue to be distributed to its shareholders according to their respective entitlements.

For the year ended 31 March 2004, dividends income from King Kong to the Group was HK\$11,443,000.

DISCLOSURE REQUIREMENTS OF RULE 13.13 OF THE LISTING RULES

In accordance with the requirements of Rule 13.13 of the Listing Rules, the directors of the Company reported below advances given to the following entities as at 31 March 2004 which represent more than 8% of the relevant percentage ratios (as defined in Rule 14.04(9) of the Listing Rules).

- (a) The Group had provided a shareholder loan of HK\$40,000,000 to King Kong as at 31 March 2004. The loan is interest-free, unsecured and has no fixed repayment terms. The Group had an attributable equity interest of 20% in King Kong as at 31 March 2004.

DISCLOSURE REQUIREMENTS OF RULE 13.13 OF THE LISTING RULES (continued)

(b) As at 31 March 2004, Double Smart Finance Limited, a wholly-owned subsidiary of the Company and being a licensed money lender in Hong Kong, had provided loans to the following entities during the course of its businesses. The details of the loans are set out below:

i) Borrower: Mr. Man Chi Yuen, Bobby

Amount of the loan outstanding as at 31 March 2004: HK\$32,000,000

Interest rate: Hong Kong dollar prime rate plus 5% per annum

Maturity date: 15 September 2004

Security given: the loan being unsecured

Up to the date of this report, the whole amount of HK\$32,000,000 has been repaid by the borrower.

ii) Borrower: China United International Holdings Limited

Amount of the loan outstanding as at 31 March 2004: HK\$35,500,000

Interest rate: 7.5% per annum

Maturity date: 19 March 2005

Security given: the loan being unsecured

Up to the date of this report, HK\$25,000,000 has been repaid by the borrower.

iii) Borrower: Pioneered Technology Limited

Amount of the loan outstanding as at 31 March 2004: HK\$35,000,000

Interest rate: 10% per annum

Maturity date: 22 March 2005

Security given: the loan being unsecured

At the date of this report, the amount being still outstanding.

iv) Borrower: Mr. Chuang Yue Chien, Eugene

Amount of the loan outstanding as at 31 March 2004: HK\$15,000,000

Interest rate: 10% per annum

Maturity date: 22 March 2005

Security given: the loan being unsecured

At the date of this report, the amount being still outstanding.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the financial year, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors and one non-executive director of the Company.

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

Kwong Kai Sing, Benny

Chairman

Hong Kong

28 July 2004