

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal subsidiaries are set out in Note 14 to the financial statements.

SEGMENTAL INFORMATION

The analysis of the business segments of operations of the Group during the year ended 31 March 2004 are as follows:

	Manufacturing and trading of automotive components	Trading of electronics components	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	9,350	20,388	–	29,738
Contribution from operations	(325)	(4,725)	543	(4,507)
Unallocated group expenses				(12,253)
Loss from operations				(16,760)
Gain on disposal of subsidiaries				24
Unrealised holding loss			(1,063)	(1,063)
Finance costs				(950)
Amortisation of goodwill on acquisition of associates				(130)
Share of loss of associates				(88)
Reversal of provision for impairments				730
Loss before taxation				(18,237)
Taxation				–
Loss after taxation but before minority interests				(18,237)
Minority interests				(202)
Loss for the year				(18,439)

DIRECTORS' REPORT (Continued)**SEGMENTAL INFORMATION (Continued)**

	Manufacturing and trading of automotive components	Trading of electronics components	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	6,630	14,857	7,811	29,298
Investment in associates				32,782
Unallocated				16,015
Total assets				<u>78,095</u>
Segment liabilities	(3,893)	(159)	–	(4,052)
Unallocated				(8,307)
Total liabilities				<u>(12,359)</u>

No analysis of the Group's turnover and its contribution to operations for the year ended 31 March 2003 are presented as 100% of the Group's turnover and loss from operations arose from the manufacturing and trading of automotive components in the People's Republic of China. The Group's operations for the year ended 31 March 2004, and its business assets and liabilities are located in the Greater China Region.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the largest customer and the next four largest customers accounted for 30% (2003: 89%) and 45% (2003: 3%) of the Group's total turnover respectively for the year.

Purchases from the largest supplier and the next four largest suppliers accounted for 47% (2003: 31%) and 32% (2003: 30%) of the Group's total purchases respectively for the year.

As at 31 March 2004, none of the Directors of the Company, their associates, or any shareholders of the Company which to the knowledge of the Directors of the Company owns more than 5% of the Company's issued share capital had beneficial interests in any of the Group's five largest customers or five largest suppliers as mentioned in the preceding paragraphs.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 March 2004 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 22 to 26.

The Board of Directors does not recommend any payment of dividend for the year ended 31 March 2004 (2003: HK\$Nil).

DIRECTORS' REPORT (Continued)**RESERVES**

Movements in reserves of the Group and the Company during the year are set out in Note 27 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 13 to the financial statements.

Additions to property, plant and equipment of the Group during the year amounted to HK\$2,611,000 (2003: HK\$441,000).

RULE 13.13 DISCLOSURE RELATING TO GROUP'S ADVANCES TO ENTITY

During FY 2004, the Group had made certain prepayments to Crown Rise International Limited ("Supplier") for the purchase of certain electronics components principally comprising integrated circuits for the Group's trading purpose. Such prepayments, which remained unrecognised as at 31 March 2004, amounted to HK\$17,350,000 and the Group's audited consolidated total assets as at 31 March 2004 amounted to approximately HK\$78,095,000. Accordingly, such prepayments represent approximately 22.22 per cent. of the Group's audited consolidated total assets as at 31 March 2004. As at 26 July 2004, there were 1,323,737,166 shares of HK\$0.10 each of the Company in issue. Based on the average closing price ("Average Closing Price") of the Company's shares of HK\$0.0514 as stated in the Stock Exchange's daily quotation sheets for the trading days from 19 July 2004 to 23 July 2004 (both days inclusive), being the five business days immediately preceding 26 July 2004, the total market capitalisation of the Company was approximately HK\$68.04 million. As referred to below, products (i.e. electronics components) representing an amount of approximately HK\$10,606,200 have been received from the Supplier and the prepayments to the Supplier, which remained unrecognised as at 26 July 2004, amounted to approximately HK\$6.74 million. Such outstanding prepayments equal approximately 9.91 per cent. of the Company's total market capitalisation based on the Average Closing Price.

The Supplier is an independent third party not connected with any member of the Group, their respective directors, chief executive or substantial shareholders or any of their respective associates (within the meaning of the Listing Rules). The prepayments were made in contemplation of the purchase of certain electronics components from the Supplier for the Group's trading purpose. The Group placed certain purchase orders with the Supplier in December 2003 and January 2004 and the prepayments were made to the Supplier when the Supplier issued the corresponding invoices to the Group. Such prepayments represent the total amount of purchases by the Group from the Supplier for FY 2004. All payments were made in December 2003 and January 2004. Since the Group has not obtained any banking facilities (such as letter of credit) for payment of purchases, the Supplier required the Group to pay the entire purchase price in advance when the Group placed orders for the products. Having considered the payment terms and quality offered by various potential suppliers of the electronics components, the directors of the Company ("Directors") find that the Supplier offers the best available payment terms and quality. Delivery of the electronics components by the Supplier to the Group took place after the year end date (i.e. 31 March 2004). The prolonged delivery time was principally due to the fact that the electronics components sourced by the Group were required to be manufactured in accordance with the Group's specifications. The prepayments are unsecured and interest free. The Directors are of the opinion that such prepayment arrangement is fair and reasonable and on normal commercial terms. Given that the prepayments were made in response to certain invoices issued to the Group for the purchase of certain products for the Group's trading activity, no repayments of such prepayments would be made to the Group. As at 26 July 2004, products representing an amount of approximately HK\$10,606,200 have been received from the Supplier. It is expected that the products represented by the remaining amount of such prepayments will be delivered to the Group by the Supplier by the end of September 2004.

DIRECTORS' REPORT *(Continued)*

BORROWINGS

Details of borrowings of the Group and the Company as at 31 March 2004 are set out in Notes 21 and 24 to the financial statements.

FIVE YEARS SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 4 of the annual report.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in Note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Group and the Company as at 31 March 2004 are set out in Note 27 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in Note 33 to the financial statements.

DIRECTORS

The Directors of the Company during the year were:

Executive directors

Mr. GOUW Hiap Kian *(Chairman)*

Mr. GOUW Kar Yiu, Carl

(Deputy Chairman & Managing Director)

Ms. GOUW San Bo, Elizabeth

Mr. SUN Yeung Yeung

(Appointed on 8 March 2004)

Non-executive directors

Mr. CHOW Yeung Tuen, Richard

Mr. LO Mun Lam, Raymond *(Deputy Chairman)*

Mr. HA Kee Choy, Eugene

(Appointed on 29 December 2003)

Independent non-executive directors

Mr. KO Sai Kit, Larry

Mr. LAW Hung Wai, Sam

DIRECTORS' REPORT (Continued)**DIRECTORS (Continued)**

In accordance with Bye-Law 99 of the Company's Bye-Laws, Messrs. Ko Sai Kit, Larry and Law Hung Wai, Sam will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Bye-Law 102(B) of the Company's Bye-Laws, Messrs. Ha Kee Choy, Eugene and Sun Yeung Yeung will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' BIOGRAPHIES**Executive Directors***GOUW Hiap Kian – Chairman*

Aged 66, was appointed as an executive director and Chairman of the Company on 20 December 2002. He is also the founder and Chairman of Gouw Assets Group, a group of private companies based in Hong Kong with interests in real estate, retail and distribution, movie businesses and financial investments. He has over 35 years of investment experience.

GOUW Kar Yiu, Carl – Deputy Chairman & Managing Director

Aged 28, was appointed as Deputy Chairman and Managing Director of the Company on 20 December 2002. He is responsible for the Company's overall strategic planning, finance and operational activities. He holds a BSc Degree in Management Sciences from the London School of Economics and Political Science. He is the son of Gouw Hiap Kian.

GOUW San Bo, Elizabeth

Aged 33, was appointed as an executive director of the Company on 20 December 2002. Ms. Gouw was previously a fund manager with a UK-based investment management institution, as well as a research analyst for a major European brokerage firm. She has 6 years of experience in equities' research and institutional investment management. She holds a Master's Degree in Accounting and Finance from the London School of Economics and Political Science. She is a Chartered Financial Analyst. She is a daughter of Gouw Hiap Kian.

SUN Yeung Yeung

Aged 31, was appointed as an executive director of the Company on 8 March 2004. He studied in the United Kingdom and Singapore. He is currently the General Manager of CITIC International Assets Management Limited ("CITIC Assets") with focus on deal sourcing in both Mainland China and Hong Kong. Mr. Sun holds several directorships in a number of companies. He is a director of Beijing Kaneten Investment Consulting Limited, which is a wholly owned subsidiary of CITIC Assets. He is also a non-executive director of E-life International Limited, the shares of which are listed on the Stock Exchange in Hong Kong. Mr. Sun also serves as a director to Shenzhen Kaifa Magnetic Recording Co. Ltd., in which CITIC Assets has an equity interest. Prior to joining CITIC Assets, Mr. Sun was a manager in the Investment Banking Department of CITIC Capital Market Holdings Limited and was responsible for exploring business opportunities and participating in transaction negotiations. Mr. Sun has obtained profound investment and financing experience in capital markets in the PRC and Hong Kong.

DIRECTORS' REPORT (Continued)

DIRECTORS' BIOGRAPHIES (Continued)

Non-executive Directors

LO Mun Lam, Raymond – Deputy Chairman

Aged 50, was appointed as a non-executive director and Deputy Chairman of the Company on 23 December 2002. Mr. Lo is a Managing Partner of an investment advisory firm based in Hong Kong. He has previously served in many multi-disciplinary listed and major companies as an advisor, director and financial strategist. He is a fellow member of the Institute of Chartered Accountants in England & Wales, a member of the Institute of Chartered Accountants of Ontario, Canada and a member of the Hotel & Catering International Management Association of the United Kingdom.

CHOW Yeung Tuen, Richard

Aged 46, was appointed as a non-executive director of the Company on 27 December 2002. Mr. Chow is a Certified Public Accountant with over 20 years of experience in auditing and taxation. He acts as director of a number of private companies and three listed companies in Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, the Hong Kong Institute of Company Secretaries and the Taxation Institute of Hong Kong. He also holds a Master's Degree in Business Administration.

HA Kee Choy, Eugene

Aged 47, was appointed as a non-executive director of the Company on 29 December 2003. Mr. Ha has over 12 years of experience in the finance and banking industry. He is a fellow member of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He holds a Master Degree in Business Administration and acts as director of a number of private and listed companies in Hong Kong.

Independent Non-executive Directors

KO Sai Kit, Larry

Aged 64, was appointed as an independent non-executive director of the Company on 18 December 2002. Mr. Ko is a Solicitor and Notary Public by profession. He is a partner in Messrs. Lo & Lo and Messrs. Stephenson Harwood & Lo. He is also a director of Tai Yau Bank Limited. Mr. Ko is a member of the Law Society of England and Hong Kong.

LAW Hung Wai, Sam

Aged 46, was appointed as an independent non-executive director of the Company on 18 December 2002. Mr. Law is a director of a consulting firm providing finance, accounting and corporate development advisory services for listed companies in Hong Kong and the USA. He is also the Senior Programme Director of a leading continuing education institution. He was previously the head of finance of several major corporations in Hong Kong and the USA. He has 17 years of experience in the field of corporate financial management. Mr. Law holds a Master Degree in Business Administration from the University of California, Berkeley. He is a qualified accountant in Hong Kong, China, the United Kingdom and the USA, and a licensed civil engineer in the USA.

DIRECTORS' REPORT (Continued)**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 March 2004, the interests and short positions of the Directors and chief executive of the Company or their associates in the shares, underlying shares and debentures of the Company or any 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 under 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 Transaction by Directors of Listed Companies are as follows:

(a) Long positions in the shares and the underlying shares (in respect of equity derivatives) of the Company:

Name of Director	Number of shares held	% of issued share capital <i>(Note 3)</i>	Number of underlying shares in respect of the options <i>(Note 4)</i>	Number of underlying shares in respect of the warrants
Gouw Hiap Kian <i>(Note 1)</i>	571,666,959	45.44%	12,500,000	4,379,039
Gouw Kar Yiu, Carl <i>(Note 2)</i>	566,426,959	45.02%	12,500,000	4,379,039
Gouw San Bo, Elizabeth <i>(Note 2)</i>	566,426,959	45.02%	12,500,000	4,379,039
Ko Sai Kit, Larry	160,000	0.01%	Nil	Nil
Law Hung Wai, Sam	1,000,000	0.08%	Nil	Nil

Notes:

- The shares and the underlying shares (in respect of equity derivatives) are held by Power Assets Enterprises Limited ("Power Assets"), a company incorporated in the British Virgin Islands, which is wholly owned by the Gouw Family Trust, in which Mr. Gouw Hiap Kian is the founder of this discretionary trust.
- The shares and the underlying shares (in respect of equity derivatives) are held by Power Assets which is wholly owned by the Gouw Family Trust, in which Mr. Gouw Kar Yiu, Carl and Ms. Gouw San Bo, Elizabeth are deemed to have interests.
- The approximate shareholding percentages are calculated on the assumptions that none of the outstanding options under Note 4 or outstanding warrants are being exercised.
- The options were granted to Power Assets. Pursuant to the terms of the options, Power Assets has the right to take the underlying shares from the grantor. The options are exercisable at HK\$0.015 per share from 19 March 2003 to 18 March 2005.

DIRECTORS' REPORT (Continued)**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)**

(b) Short positions in the shares and the underlying shares (in respect of equity derivatives) of the Company:

Name of Director	Number of underlying shares in respect of the options <i>(Note 1)</i>
Gouw Hiap Kian <i>(Note 2)</i>	125,000,000
Gouw Kar Yiu, Carl <i>(Note 3)</i>	125,000,000
Gouw San Bo, Elizabeth <i>(Note 3)</i>	125,000,000

Notes:

1. The options were granted by Power Assets which is wholly owned by the Gouw Family Trust, in which Mr. Gouw Kar Yiu, Carl and Ms. Gouw San Bo, Elizabeth are deemed to have interests. Pursuant to the terms of the options, the grantees have the rights to require Power Assets to deliver the underlying shares. The options are exercisable at HK\$0.2 per share from 19 February 2004 to 30 September 2004.
2. The options are held by Power Assets which is wholly owned by the Gouw Family Trust, in which Mr. Gouw Hiap Kian is the founder of this discretionary trust.
3. The options are held by Power Assets which is wholly owned by the Gouw Family Trust, in which Mr. Gouw Kar Yiu, Carl and Ms. Gouw San Bo, Elizabeth are deemed to have interests.

Save as disclosed above, as at 31 March 2004, none of the Directors or chief executives or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, at no time during the year ended 31 March 2004 has the Company or any of its subsidiaries, a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

No Director of the Company proposed for re-election at the forthcoming annual general meeting of the Company has entered into any service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REPORT (Continued)**INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO**

As at 31 March 2004, so far as is known to the Directors of the Company, the following persons who had interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(a) Long positions in the shares and the underlying shares (in respect of equity derivatives) of the Company:

Name of Shareholder	Number of shares held	% of issued share capital <i>(Note 6)</i>	Number of underlying shares in respect of the options <i>(Note 7)</i>	Number of underlying shares in respect of the warrants
Power Assets <i>(Note 1)</i>	566,426,959	45.02%	12,500,000	4,379,039
Gouw Hiap Kian <i>(Note 2)</i>	566,426,959	45.02%	12,500,000	4,379,039
Gouw Kar Yiu, Carl <i>(Note 3)</i>	566,426,959	45.02%	12,500,000	4,379,039
Gouw San Bo, Elizabeth <i>(Note 3)</i>	566,426,959	45.02%	12,500,000	4,379,039
CITIC International Assets Management Limited <i>(Note 4)</i>	208,000,000	16.53%	Nil	Nil
Asiapac Universal Inc. Limited <i>(Note 5)</i>	Nil	9.94%	125,000,000	Nil

Notes:

1. Power Assets is a company incorporated in the British Virgins Islands, which is wholly owned by the Gouw Family Trust, in which Mr. Gouw Kar Yiu, Carl and Ms. Gouw Sin Bo, Elizabeth are deemed to have interests.
2. The shares and the underlying shares (in respect of equity derivatives) are held by Power Assets which is wholly owned by the Gouw Family Trust, in which Mr. Gouw Hiap Kian is the founder of this discretionary trust.
3. The shares and the underlying shares (in respect of equity derivatives) are held by Power Assets which is wholly owned by the Gouw Family Trust, in which Mr. Gouw Kar Yiu, Carl and Ms. Gouw San Bo, Elizabeth are deemed to have interests.
4. CITIC International Assets Management Limited is a wholly owned subsidiary of CITIC International Financial Holdings Limited which is in turn 53% owned by China International Trust and Investment Corporation.
5. Asiapac Universal Inc. Limited is a wholly owned subsidiary of Heng Fung Holdings Limited.
6. The approximate shareholding percentages are calculated on the assumptions that none of the outstanding options under Note 7 or outstanding warrants are being exercised.
7. The options were granted to Power Assets. Pursuant to the terms of the options, Power Assets has the right to take the underlying shares from the grantor. The options are exercisable at HK\$0.015 per share from 19 March 2003 to 18 March 2005.

DIRECTORS' REPORT *(Continued)*

SHARE OPTION SCHEME

On 30 March 2004, a share option scheme (the "Scheme") was approved and adopted by the shareholders of the Company with purpose to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, which will be effective for ten years until 29 March 2014.

Pursuant to the Scheme, the board of directors of the Company may at any time within ten years from the adoption date, offer any eligible participant (including any executive director of the Company or any of its subsidiaries) options to subscribe for shares in the Company at a price not less than the highest of:

- (i) The closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for trades in one or more board lots of shares on the offer date;
- (ii) The average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) The nominal value of the shares of the Company on the date of grant.

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and not yet exercised under the Scheme and any other share option scheme of the Group shall not exceed 30% of the shares capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Scheme. The maximum entitlement of each participant in any twelve month period under the Scheme shall not exceed 1% of the issued shares capital of the Company for the time being.

Each grant of options to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors. In addition, any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the shares issuable upon exercise of all options granted and to be granted to such person in the twelve month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares quoted on the Stock Exchange on the date of grant) in excess of HK\$5 million, such further grant of options shall be subject to approval by the shareholders in general meeting.

Options granted must be taken up within 21 days from the date of grant, upon payment of the consideration of HK\$1 per each grant of option. The exercise period of the options is determinable by the directors, and shall expire not later than ten years from the date of grant. The Scheme does not specify the requirement as to minimum period for which an option must be held.

As at the date of this report, options carrying the rights to subscribe for up to a total of 115,860,000 shares had been granted under the Share Option Scheme since its adoption. All these options were granted in accordance with the terms and restrictions of the Share Option Scheme. A breakdown of such grant is given below:

- (1) options carrying the right to subscribe for a total of 12,000,000 Shares were granted to a Director;
- (2) options carrying the right to subscribe for 16,760,000 Shares were granted to the employees, and advisers and suppliers of the Group.

DIRECTORS' REPORT (Continued)**SHARE OPTIONS SCHEME (Continued)**

- (3) options carrying the right to subscribe for 87,100,000 Shares were granted to advisers and suppliers of the Group.

All the above grantees of the options fall within the category of eligible participants under the Share Option Scheme. The Directors confirm that the grant of options to the above grantees was in accordance with the rules of the Share Option Scheme and the relevant requirements of the Listing Rules. Save for the Directors, none of these grantees is a connected person of the Company.

As at the date of this report, (i) a total number of 50,120,000 shares had been issued pursuant to the exercise of options granted under the Share Option Scheme and (ii) none of these options had lapsed nor been cancelled and (iii) the total number of shares which may fall to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme is 65,740,000 shares (representing approximately 52.25% of the initial 10% General Limit).

WARRANTS

Under the terms of the Subscription Agreement, as part of the Restructuring Proposal, the Company issued the warrants in the aggregate amount of HK\$14,657,903.96 to Power Assets Enterprises Limited for a consideration of HK\$1. The warrants entitled the holder, on exercise of the subscription rights attaching to the warrants, to subscribe for 1,465,790,396 New shares at a subscription price of HK\$0.01 per New share (subject to adjustment). As the nominal value of shares of the Company has been adjusted to HK\$0.1 each by reason of every 10 shares of HK\$0.01 each be consolidated into 1 share of HK\$0.1 each with effect from 31 March 2004. Pursuant to 3A(i) of the Warrant Certificate, the subscription price has also been adjusted to HK\$0.1 per share on the same day.

As at 31 March 2004, 142,200,000 shares of HK\$0.1 each were issued on exercise of the subscription rights attaching to the HK\$14,220,000 warrants during the year. Upon exercise in full of the outstanding HK\$437,903.96 warrants would result in the issue of an additional 4,379,039 ordinary shares of HK\$0.1 each by the Company.

CONVERTIBLE BONDS

Pursuant to the terms of the Placing Agreement entered into between the Company, Tanrich Securities Company Limited (the "Placing Agent"), Power Assets and Mr. Gouw Kar Yiu, Carl on 17 March 2004, the Placing Agent will place the convertible bonds of the Company to not less than six subscribers in an aggregate maximum principal amount of HK\$20,000,000 at an initial conversion price at HK\$0.018 per share (subject to adjustment). The bonds bear interest at 8% per annum payable quarterly in arrears and are guaranteed by the Power Assets and Mr. Gouw Kar Yiu, Carl.

As the nominal value of shares of the Company has been adjusted to HK\$0.1 each by reason of every 10 shares of HK\$0.01 each be consolidated into 1 shares of HK\$0.1 each with effect from 31 March 2004. The initial conversion price has also been adjusted to HK\$0.18 per share on the same day. The subscribers have the option to convert the bonds into fully paid shares of HK\$0.1 each of the Company at a conversion price of HK\$0.18 per share in amounts of not less than HK\$100,000 on each conversion. The maturity date will be the first anniversary of the date of issue of the convertible bonds.

The convertible bonds are freely transferable from its date of issue to any party other than one which is connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them.

As at 31 March 2004, no convertible bond has been placed to any subscribers.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed below, there were no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries a party, subsisting at the end of the year or at any time during the year, in which a director had, whether directly or indirectly, a material interest.

During the year, HK\$500,000 was paid to AsiaVest Capital Partners Limited, a company in which Mr. Lo Mun Lam, Raymond, a director of the Company, has a beneficial interest, for provision of advice on various investment strategies.

During the year, HK\$111,000 was paid to Henkel Capital & Management Consulting Limited, a company in which Mr. Law Hung Wai, Sam, a director of the Company, has a beneficial interest, for provision of consultancy and company secretarial services.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or the Group was entered into or existed during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year was the Company, its holding company, subsidiaries or fellow subsidiaries was a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of Directors' emoluments and the highest paid employees are set out in Note 29 to the financial statements.

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

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

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2004.

Non-executive directors are not appointed on specific terms. Non-executive and independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with the Model Code for Securities Transactions by Directors of Listing Companies contained in Appendix 10 of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmation from all independent non-executive directors in respect of their independence during the year and all independent non-executive directors are still being considered to be independent.

DIRECTORS' REPORT *(Continued)*

AUDIT COMMITTEE

Written Terms of Reference of Audit Committee have been adopted by the Board.

The Audit Committee of the Company presently comprises two independent non-executive Directors. The audit committee has reviewed the announcement, accounting principles and practices adopted by the Group and discussed with the Board matters relating to the financial reporting process and internal control and risk management of the Group.

AUDITORS

The auditors, Moore Stephens, retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

GOUW Kar Yiu, Carl

Director

Hong Kong, 26 July 2004