

The Directors present their report and audited financial statements of the Company and the Group for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries during the year are set out in note 14 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 28 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2004 are set out in the consolidated income statement on page 13.

The Directors do not recommend the payment of any dividends in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 41 and 42.

FIXED ASSETS

Details of the movements during the year in the fixed assets of the Group are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2004 are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital during the year and details of the Company's share option scheme are set out in notes 21 and 22 to the financial statements respectively.

RESERVES

Details of the movements in the reserves of the Group and the Company are set out in the statement of changes in equity on page 16.

Under The Companies Act 1981 of Bermuda (as amended), in addition to the accumulated profits, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DISTRIBUTABLE RESERVES

As computed in accordance with The Companies Act 1981 of Bermuda (as amended), the Company had no reserves available for cash distribution and/or distribution in specie to shareholders of the Company as at 31 March 2004. In addition, the Company's share premium account with a balance of approximately HK\$131,570,000 may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive directors

Ms. Ng Wai Fong, Wendy (*Chairperson*)

Ms. Leung Kwai Hing (*Deputy-chairperson*)

Ms. Kam Shuk Ling

Mr. Lam Yiu Man, Lewis

Ms. Ching Mei Yee

Independent non-executive directors

Mr. Wong Chi Keung

Mr. Ng Wai Hung, Raymond

Mr. Wong Chi Keung and Mr. Ng Wai Hung, Raymond will retire and, being eligible, offer themselves for re-election as a non-executive director of the Company at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Ms. Ching Mei Yee has entered into a service contract with the Company for a term of three years commencing from 21 August 2002 which is subject to termination by either party giving not less than three months' written notice. Mr. Lam Yiu Man, Lewis has entered into a new service contract with the Company for a term of one year commencing from 18 March 2004.

The rest of the existing executive directors have entered into a service contract with the Company commencing from 17 March 2003. These service contracts will continue thereafter unless and until terminated by either party giving not less than three months' written notice.

The independent non-executive directors have no service contracts with the Company but will retire and, being eligible, offer themselves for re-election at annual general meetings.

Save as disclosed above, no Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2004, none of the Directors have interests in the share capital of the Company or any of 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.

In addition, none of the Directors or any of their associates had any interests or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporations that is required to be recorded and kept in the register in accordance with Section 352 of the SFO.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors of the Company are set out on page 6.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option schemes are set out in note 22 to the financial statements.

No share options were granted to the Directors during the year.

Save 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, their respective spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company, or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a significant beneficial interest, either direct or indirect, 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 year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2004, so far as are known to the Directors, the following party was recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Number of shares held	Approximate percentage of issued share capital
Yield Empire International Ltd	9,375,000	13.13%

The interest stated above represents long position. At 31 March 2004, no short position was recorded in the register kept by the Company under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 42.6% of the total sales for the year and sales to the largest customer included therein accounted for approximately 11.7%.

Purchases from the Group's five largest suppliers were less than 30% of the total purchases for the year.

None of the Directors, any of their associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group and the employer's costs charged to the income statement for the year are set out in note 8 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 27 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes issued by the Company and the exercise of the conversion rights under the notes during the year are set out in note 20 to the financial statements.

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

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are 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.

CODE OF BEST PRACTICE

Save as disclosed otherwise, in the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") during the year under review. The independent non-executive directors have not been appointed for a specific term of office but retire from office on a rotational basis at the annual general meeting.

AUDIT COMMITTEE

The Company had established an audit committee (the "Committee") for the purpose of reviewing and providing supervision on the financial reporting process and internal control systems of the Group. The Committee comprised Mr. Ng Wai Hung, Raymond and Mr. Wong Chi Keung, all being independent non-executive directors of the Company. The Group's financial statements for the year ended 31 March 2004 have been reviewed by the Committee, which was of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

RSM Nelson Wheeler retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Wai Fong, Wendy

Chairperson and Executive Director

Hong Kong, 26 July 2004