

# Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2004.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 30 to the financial statements.

## RESULTS

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 dividend.

## PROPERTY, PLANT AND EQUIPMENT

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

## INVESTMENT PROPERTIES

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

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 20 to the financial statements.

## DIRECTORS

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

### Executive directors:

Mr. Chiu Kong – <i>Chairman</i>	(appointed on 27 June 2003 as the Chairman)
Mr. Kwan Kam Hung, Jimmy	
Mr. Yeung Kwok Yu	(appointed on 27 June 2003)

### Non-executive directors:

Mr. Chiu Tao – <i>Chairman</i>	(resigned on 27 June 2003)
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## Directors' Report

### DIRECTORS *(continued)*

#### Independent non-executive directors:

Mr. Qi Qing	
Mr. Peter Ong	(appointed on 27 June 2003)
Mr. Wu Wing Kit	(resigned on 1 August 2003)

In accordance with article 99 of the Company's Articles of Association, Mr. Kwan Kam Hung, Jimmy and Mr. Qi Qing retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the 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 Articles of Association.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

### BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out below:

#### Executive directors

Mr. Chiu Kong, aged 47, was appointed as the Chairman of the Company in June 2003. He has over 15 years of experience in import and export trading, and business development.

Mr. Kwan Kam Hung, Jimmy, aged 42, was appointed as director of the Company in November 2002. He has over 10 years of experience in the management of finance and accounting.

Mr. Yeung Kwok Yu, aged 53, was appointed as director of the Company in June 2003. Mr. Yeung has over 20 years of experience in general trading business in both the PRC and Hong Kong.

#### Independent non-executive Directors

Mr. Qi Qing, aged 40, was appointed as an independent non-executive director of the Company in September 2002. Mr. Qi holds a bachelor degree in physics and a master degree in engineering obtained from Northeast Normal University in the PRC and Tokyo University of Agriculture and Technology in Japan respectively. Mr. Qi has extensive experience in trading and manufacturing business.

## Directors' Report

### BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

#### Independent non-executive Directors *(continued)*

Mr. Ong, Peter, aged 34, was appointed as an independent non-executive director of the Company in June 2003. He holds a bachelor's degree from California State University, Los Angeles, the United States of America. Mr. Ong is a merchant and has extensive experience in the press and insurance industries.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 31 March 2004, none of the directors and chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be recorded in the register required to be kept under Section 352 of the SFO; or (b) to be 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.

As at 31 March 2004, no share options have been granted under the Company's share option scheme which was terminated in January 2004.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as set out in notes 18 and 28 to the financial statements, no contracts of significance to which the Company or 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.

### SHARE OPTION SCHEME, CONVERTIBLE NOTES OR SIMILAR RIGHTS

#### (a) Share options

Details of the Company's share option scheme and the details of options granted to a director of the Company are set out in note 20 to the financial statements.

#### (b) Convertible notes

Details of the Company's convertible notes are set out in note 19 to the financial statements.

Other than as disclosed above, the Company had no outstanding share options, convertible securities or other similar rights as at 31 March 2004.

## Directors' Report

### SUBSTANTIAL SHAREHOLDERS

At 31 March 2004, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

<u>Name</u>	<u>Number of shares</u>	<u>Percentage holding</u>	<u>Notes</u>
Sunderland Properties Limited	2,241,000,000	26.84%	1
Dr. Ho Hung Sun, Stanley	935,750,000	11.21%	
Honest Opportunity Limited	500,000,000	5.99%	2

*Notes:*

1. Sunderland Properties Limited is ultimately and beneficially owned by Mr. Euguene Chuang Yue-chien.
2. Honest Opportunity Limited is a wholly owned subsidiary of Classic Fortune Limited, which is in turn a wholly owned subsidiary of China Online (Bermuda) Limited.

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

### 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 Company's listed securities during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

The Group has no major suppliers, as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The aggregate amount of turnover attributable to the Group's largest customer and its five largest customers both represented 53% of the Group's total turnover.

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

## Directors' Report

### CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the connected transactions and related party transactions of the Group are set out in note 28 to the financial statements.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 29 to the financial statements.

### PRE-EMPTIVE RIGHTS

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

### CORPORATE GOVERNANCE

The independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified by the Company's Articles of Association. In the opinion of the directors, this meets the same objective as the Code of Best Practice set out in the Listing Rules.

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

### AUDITORS

Messrs. Ernst & Young acted as auditors of the Company for the year ended 31 March 2002 and Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past two years.

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

**Chiu Kong**  
*Chairman*

Hong Kong, 16 July 2004