

The directors have pleasure in presenting their annual report and the audited financial statements of the group and the company for the year ended 31st March 2004.

PRINCIPAL ACTIVITIES

The company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the group for the year ended 31st March 2004 are set out in the consolidated income statement on page 18.

During the year, the company paid a final dividend of HK\$0.01 per ordinary share for the year 2003, totalling HK\$4,348,000.

The directors now recommend the payment of a final dividend of HK\$0.01 per ordinary share to the shareholders of the company whose names appear on the register of members on 10th September 2004 amounting to HK\$4,496,000.

INVESTMENT PROPERTIES

All of the investment properties of the group were revalued at 31st March 2004. The revaluation surplus arising on revaluation, which amounted to HK\$767,000, has been credited to the investment property revaluation reserve.

Details of these movements during the year in the investment properties of the group are set out in note 17 to the financial statements.

Particulars of the investment properties of the group as at 31st March 2004 are set out on page 68.

PROPERTY, PLANT AND EQUIPMENT

All of the leasehold land and buildings were revalued at 31st March 2004. The revaluation surplus arising on revaluation, which amounted to HK\$2,512,000, has been credited to the leasehold property revaluation reserve.

Details of these and other movements during the year in the property, plant and equipment of the group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the company are set out in note 28 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Chan Chung Yee, Hubert – *Chairman*
Chan Chung Yin, Roy
Chan Man Min
Chan Ming Him, Denny
Kwok Cheuk Tim, Rockie
Tsui Hon Wing
Wu Kwok Lam
Yeh Yui Fong

Independent non-executive directors:

Chiu Ngar Wing
Chu Chor Lup

In accordance with Article 108 of the company's Articles of Association, Messrs. Chan Chung Yin, Roy, Chiu Ngar Wing and Chu Chor Lup will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors 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 group within one year without payment of compensation, other than statutory compensation.

The term of office for each independent non-executive director is one year.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the interests disclosed under the section headed "Connected transactions" below and disclosed in note 37 to the financial statements, no other 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 year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31st March 2004, the interests and short positions of the directors and chief executive of the company in the shares, underlying shares or debentures of the company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the company and the Stock Exchange were as follows:

Name of director	The company/ associated corporation	Capacity/nature of interest	Number and class of securities <i>(Note 1)</i>	Percentage of interests in the issued share capital as at 31st March 2004
Chan ChungYee Hubert	The company	Founder of a trust	226,176,575 ordinary shares (each a "Share") of HK\$0.01 each (L) <i>(Note 2)</i>	50.30%
	The company	Beneficial owner	4,300,000 Shares (L) <i>(Note 7)</i>	0.96%
	Matrix World Group Limited	Founder of a trust	1 share of US\$1.00 each (L)	100%
Chan ChungYin Roy	The company	Founder of a trust	68,417,400 Shares (L) <i>(Note 3)</i>	15.22%
	The company	Beneficial owner	2,000,000 Shares (L) <i>(Note 7)</i>	0.44%
Chan Man Min	The company	Interest of controlled corporation	24,709,650 Shares (L) <i>(Note 4)</i>	5.50%
	The company	Beneficial owner	1,000,000 Shares (L) <i>(Note 7)</i>	0.22%
Yeh Yui Fong	The company	Interest of controlled corporation	2,681,550 Shares (L) <i>(Note 5)</i>	0.60%
	The company	Beneficial owner	1,000,000 Shares (L) <i>(Note 7)</i>	0.22%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — continued

Name of director	The company/ associated corporation	Capacity/nature of interest	Number and class of securities <i>(Note 1)</i>	Percentage of interests in the issued share capital as at 31st March 2004
Tsui Hon Wing	The company	Beneficial owner	2,939,200 Shares (L) <i>(Notes 6 and 7)</i>	0.65%
Kwok Cheuk Tim Rockie	The company	Beneficial owner	2,000,000 Shares (L) <i>(Note 7)</i>	0.44%
Chan Ming Him Denny	The company	Beneficial owner	1,000,000 Shares (L) <i>(Note 7)</i>	0.22%
Wu Kwok Lam	The company	Beneficial owner	1,000,000 Shares (L) <i>(Note 7)</i>	0.22%

Notes:

- 1 The letter "L" represents the director's interests in the shares and underlying shares of the company or its associated corporations.
- 2 Of these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 217,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Newcourt Trustees Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee Hubert was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
3. These Shares were held by Star Global International Limited, a company wholly owned by Newcourt Trustees Limited as the trustee for a discretionary trust of which Mr. Chan Chung Yin Roy is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin Roy was deemed to be interested in the Shares held by Star Global International Limited.
4. These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min was deemed to be interested in the Shares held by Ocean Hope Group Limited.
5. These Shares were held by CIT Company Limited, a company wholly owned by Mr. Yeh Yui Fong and his wife in equal share. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Yeh Yui Fong was deemed to be interested in the Shares held by CIT Company Limited.
6. Of these Shares, 1,000,000 Shares represented the Shares that would fall to be allotted and issued upon exercise in full of the option granted to Mr. Tsui Hon Wing under the share option scheme of the company. Please refer to note 7 below for details.
7. These respective number of Shares that would fall to be allotted and issued upon exercise in full of the options granted to each of Mr. Chan Chung Yee Hubert, Mr. Chan Chung Yin Roy, Mr. Chan Man Min, Mr. Yeh Yui Fong, Mr. Tsui Hon Wing, Mr. Kwok Cheuk Tim Rockie, Mr. Chan Ming Him Denny and Mr. Wu Kwok Lam under the share option scheme of the company which was adopted pursuant to a resolution in writing passed by all shareholders of the company on 23rd October 2001. These options, all of which remained exercisable as at 31st March 2004, were exercisable at the subscription price of HK\$0.17 per Share at any time during a period of two years commencing from and including 21st February 2003 to 20th February 2005.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — continued

Save as disclosed above, as at 31st March 2004, none of the directors and chief executive of the company had any interest and short positions in the share, underlying shares and debentures of the company or its associated corporations (within the meaning of the SFO) which were required to be notified to the company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures of the company and its associated corporations" above and in the share option scheme disclosures below and in note 29 to the financial statements, at no time during the year or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the company granted to any director 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 OPTIONS

Particulars of the company's share option scheme are set out in note 29 to the financial statements.

At 31st March 2004, the number of shares in respect of which options had been granted under the scheme was 13,300,000, representing approximately 3% of shares of the company in issue at that date.

The following table discloses movements in the company's share options during the year:—

	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April 2003	Lapsed during the year	Granted during the year	Outstanding at 31st March 2004
Directors:						
Chan Chung Yee, Hubert	21.2.2003 – 20.2.2005	0.17	4,300,000	–	–	4,300,000
Chan Chung Yin, Roy	21.2.2003 – 20.2.2005	0.17	2,000,000	–	–	2,000,000
Chan Man Min	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Chan Ming Him, Denny	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Kwok Cheuk Tim, Rockie	21.2.2003 – 20.2.2005	0.17	2,000,000	–	–	2,000,000

SHARE OPTIONS — continued

	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April 2003	Lapsed during the year	Granted during the year	Outstanding at 31st March 2004
Directors:						
Tsui Hon Wing	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Wu Kwok Lam	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Yeh Yui Fong	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
			13,300,000	–	–	13,300,000
Employees	23.5.2002 – 23.11.2003	0.38	3,800,000	(3,800,000)	–	–
Customers	23.5.2002 – 30.6.2003	0.38	6,500,000	(6,500,000)	–	–
			23,600,000	(10,300,000)	–	13,300,000

CONNECTED TRANSACTIONS

During the year, the group had certain transactions with related parties, details of which are set out in note 37 to the financial statements.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March 2004, the aggregate turnover attributable to the group's five largest customers accounted for approximately 61% of the group's total turnover and the sales attributable to the group's largest customer was approximately 42% of the total sales. The aggregate purchases attributable to the group's five largest suppliers accounted for approximately 91% of the group's total purchases and the purchases attributable to the group's largest supplier was approximately 88% of the total purchases.

None of the directors of the company, any of their associates or any shareholders (which to the best knowledge of the directors owns more than 5% of the company's share capital) has any beneficial interest in any of the group's five largest customers or five largest suppliers.

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

There was no purchase, sale or redemption of the company's listed shares by the company or any of its subsidiaries during the year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 31st March 2004, the following persons, other than a director or chief executive of the company, had an interest or a short position in the shares and underlying shares in the company as recorded in the register required to be kept under section 336 of the SFO:

Name of person	Number of ordinary shares (each a "Share") of HK\$0.01 each (Note 1)	Capacity/nature of interest	Percentage of interests in the issued share capital as at 31st March 2004
Matrix World Group Limited (Note 2)	217,691,727 (L)	Beneficial owner	48.41%
	8,484,848 (L)	Interest of controlled corporation	1.89%
Star Global International Limited (Note 3)	68,417,000 (L)	Beneficial owner	15.22%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.50%
Newcourt Trustees Limited (Notes 2 and 3)	294,593,975 (L)	Trustee	65.52%

Notes:

- The letter "L" represents the person's interests in Shares.
- 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 217,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Newcourt Trustees Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Newcourt Trustees Limited was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
- Star Global International Limited was a company wholly owned by Newcourt Trustees Limited as the trustee for a discretionary trust of which Mr. Chan Chung Yin, Roy is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Newcourt Trustees Limited was deemed to be interested in the Shares held by Star Global International Limited.
- Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min.

Save as disclosed above, as at 31st March 2004, no person, other than a director or chief executive of the company, had an interest or a short position in the shares and underlying shares in the company as recorded in the register required to be kept under section 336 of the SFO.

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 a pro-rata basis to existing shareholders.

DONATION

During the year, the group made a charitable donation of HK\$200,000.

CORPORATE GOVERNANCE

The company had complied throughout the year ended 31st March 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

AUDIT COMMITTEE

The company established an audit committee on 12th September 2001 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the group.

The company's audit committee comprises two independent non-executive directors namely, Mr. Chiu Ngar Wing and Dr. Chu Chor Lup.

AUDITORS

Li, Tang, Chen & Co. were appointed as auditors of the company on 17th February 2004 upon the resignation of Deloitte Touche Tohmatsu. There were no other changes in auditors during the past three years.

Li, Tang, Chen & Co. will retire at the forthcoming annual general meeting 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

Chan Chung Yee, Hubert

Chairman

Hong Kong, 23rd July 2004