

The directors present their annual report and the audited financial statements for the year ended 31st March, 2004.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and provides corporate management services.

The activities of the Company's principal subsidiaries at 31st March, 2004 are set out in note 34 to the financial statements.

## RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 17.

No dividend was paid by the Company during the year. The directors do not recommend the payment of a final dividend for the year.

## SHARE CAPITAL

During the year, the Company issued 365,000,000 ordinary shares with net proceeds of HK\$18,989,000 pursuant to share placements. Details of movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

## RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 21 and note 27 to the financial statements, respectively.

In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves of the Company. The Company's reserves available for distribution to the Company's shareholders comprise share premium, capital redemption reserve, contributed surplus, distributable reserve and accumulated losses, which in aggregate amounted to HK\$428,281,000 at 31st March, 2004.

## INVESTMENT PROPERTIES

The investment properties of the Group were revalued at 31st March, 2004 by an independent firm of professional property valuers on an open market value basis at HK\$5,700,000. This valuation gives rise to a deficit of HK\$100,000 which has been charged to the income statement. Details are set out in note 13 to the financial statements.

# Directors' Report

## 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 14 to the financial statements.

## SHARE OPTION SCHEME

The share option scheme of the Company approved and adopted by the shareholders at the extraordinary general meeting held on 23rd August, 2002 (the "2002 Scheme") shall be valid and effective for a period of 10 years commencing from 23rd August, 2002. Details of the 2002 Scheme are set out in note 26 to the financial statements.

During the year, a total of 60,000,000 share options were granted and all of them were to directors of the Company. Details of these are as follows:

Name of director	Date of grant	Exercisable period	Subscription price per share HK\$	Number of share options and underlying shares			Percentage of the Company's issued share capital at 31.3.2004
				Outstanding at 1.4.2003	Granted during the year	Outstanding at 31.3.2004	
Kwong Wai Tim, William	16.1.2004	16.1.2004 to 15.1.2009	0.06**	–	30,000,000	30,000,000*	0.86%
Lai Ming Wai	16.1.2004	16.1.2004 to 15.1.2009	0.06**	–	30,000,000	30,000,000*	0.86%
				–	60,000,000	60,000,000	1.72%

\* These share options were held by the relevant directors as beneficial owners.

\*\* The closing price per share immediately before the date on which the share options were granted was HK\$0.057.

During the year, no share options were exercised, cancelled or lapsed under the 2002 Scheme.

The directors considered that it is not appropriate to disclose the value of the share options granted during the year since any valuation of the share options will be subject to a number of factors critical for the valuation that cannot be determined accurately at this stage. Any valuation of the share options based upon speculative assumptions will not be meaningful and may be misleading to the shareholders and the directors therefore considered that the disclosure of the relevant closing market price of the share and the subscription price per share upon exercise of the share options is more appropriate.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

*Executive directors:*

Kwong Wai Tim, William (*Managing Director*)

Yau Shum Tek, Cindy

Lai Ming Wai

Terrence Lai (*resigned on 30th November, 2003*)

*Independent non-executive directors:*

Lam Ping Cheung

Kwong Kai Sing, Benny

In accordance with Article 112 of the Company's Articles of Association, Mr. Lai Ming Wai and Mr. Kwong Kai Sing, Benny will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The independent non-executive directors are subject to retirement by rotation in accordance with Article 112 of the Company's Articles of Association.

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

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st March, 2004, the interests of the directors and their associates in the shares, underlying shares and debentures 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 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 Transactions by Directors of Listed Issuers in the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Yau Shum Tek, Cindy	Interest of controlled corporation	726,918,000 ( <i>Note</i> )	20.88%

*Note:* At 31st March, 2004, Multiple Wealth International Limited ("Multiple Wealth") and Pacific Rim Investment Management Enterprises Limited ("Pacific Rim") held 192,318,000 ordinary shares and 534,600,000 ordinary shares of the Company, respectively. Multiple Wealth and Pacific Rim are wholly-owned subsidiaries of Hastings Gold Limited ("Hastings Gold"), which in turn, is a wholly-owned subsidiary of Mainland Talent Developments Limited ("Mainland Talent"). Ms. Yau Shum Tek, Cindy wholly owns and controls Red China Holdings Limited ("Red China") and Capital Sun Industries Limited ("Capital Sun"). Capital Sun wholly owns Future Star Group Limited ("Future Star"). Each of Red China and Future Star is interested in 50% of the issued share capital of Mainland Talent. Accordingly, Ms. Yau Shum Tek, Cindy is deemed to be interested in a total of 726,918,000 ordinary shares of the Company held by Multiple Wealth and Pacific Rim.

The interests stated above represent the directors' interests in the shares of the Company, the directors' interests in the share options of the Company are disclosed in the section headed "Share Option Scheme" above.

Save as disclosed above, at 31st March, 2004, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the year.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At 31st March, 2004, the register of shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Mainland Talent	Interest of controlled corporation	726,918,000 (Notes 1 & 2)	20.88%
Capital Sun	Interest of controlled corporation	726,918,000 (Notes 1 & 2)	20.88%
Red China	Interest of controlled corporation	726,918,000 (Notes 1 & 2)	20.88%
Yau Shum Tek, Cindy	Interest of controlled corporation	726,918,000 (Notes 1 & 2)	20.88%

### Notes:

- At 31st March, 2004, Multiple Wealth and Pacific Rim held 192,318,000 and 534,600,000 ordinary shares of the Company, representing approximately 5.52% and 15.36% of the issued share capital of the Company at that date, respectively. Multiple Wealth and Pacific Rim are wholly-owned subsidiaries of Hastings Gold, which in turn, is a wholly-owned subsidiary of Mainland Talent.

## Directors' Report

2. Ms. Yau Shum Tek, Cindy wholly owns and controls Red China and Capital Sun. Capital Sun wholly owns Future Star. Each of Red China and Future Star is interested in 50% of the issued share capital of Mainland Talent. Ms. Yau Shum Tek, Cindy is deemed to be interested in a total of 726,918,000 ordinary shares of the Company held by Multiple Wealth and Pacific Rim.

Save as disclosed above, at 31st March, 2004, the Company had not been notified by any persons who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### DIRECTORS' INTERESTS IN CONTRACTS

No 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, subsisting at the end of the year or at any time during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales during the year attributable to the Group's five largest customers comprised approximately 67% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 19% of the Group's total turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 30% of the Group's purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers.

### 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.

### 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.

### CORPORATE GOVERNANCE

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

## POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 33 to the financial statements.

## AUDITORS

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

**Kwong Wai Tim, William**

*Managing Director*

Hong Kong, 23rd July, 2004