

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associate are set out in notes 13 and 14 respectively, to the financial statements.

CHANGE OF CHINESE TRANSLATION OF COMPANY'S NAME

Pursuant to a resolution passed at a directors' meeting held on 2nd July, 2004, the Chinese translation of the Company's name was changed from 益華教育投資集團有限公司 to 益華國際投資集團有限公司 with effect from 9th July, 2004.

RESULTS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 19.

No dividend was paid during the year.

INVESTMENT PROPERTY

Details of changes in the investment property of the Group during the year are set out in note 11 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company during the year are set out in notes 19 and 21 to the financial statements, respectively.

PRINCIPAL SUBSIDIARIES AND ASSOCIATE

On 3rd April, 2003, the Group entered into an agreement for the acquisition of the entire issued share capital together with the non-interest bearing shareholder's loan of Honest Talents Limited ("Honest Talents"), at a cash consideration of HK\$42,000,000. The sole asset held by Honest Talents is the contractual right to acquire the technology of the recombinant human stem cell factor ("rhSCF") for developing human cord blood related pharmaceutical products.

The Group entered into agreement with another shareholder of Nanjing E-Life Gene Technology Limited ("E-Life Gene"), an associate of the Group, whereby both the Group and the shareholder agreed to increase their investments in E-Life Gene at consideration satisfied by injection of assets. The Group injected rhSCF into E-Life Gene and following the injection of assets by both parties, the Group's interest in E-Life Gene was increased from 47.11% to 49.37%.

Details of the principal subsidiaries and associate of the Company and the Group at 31st March, 2004 are set out in notes 13 and 14 respectively 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. Wang Jian Hua (*Chairman*)

Mr. Ng Tang, David (*Deputy Chairman*)

Mr. Bao Wen Bin

Mr. Pak Chung

Mr. Ren Zheng

Ms. Cheung Hoi Ping

(appointed on 29th August, 2003)

Ms. Ma Jun Li

(appointed on 29th August, 2003)

Independent non-executive directors:

Ms. Chung Kwo Ling

Mr. Sun Yeung Yeung

(appointed on 11th December, 2003)

Mr. Heng Kwo Seng

(resigned on 30th November, 2003)

In accordance with the clauses 86(2) and 87 of the Company's Bye-laws, Mr. Pak Chung, Ms. Cheung Hoi Ping, Ms. Ma Jun Li and Mr. Sun Yeung Yeung retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of directors being proposed for re-election at the forthcoming annual general meeting has any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each non-executive director and independent non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st March, 2004, the interests and short positions of the directors and their associates in the shares and underlying shares of the Company and its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the Securities and Futures Ordinance ("SFO") (including interests and short positions which they were taken or deemed to have under such provision of the SFO), or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Long position in the shares and share options of the Company

Name of directors	Capacity	Interest in shares	Interest in underlying shares (share options)	Percentage of the issues of the Company	
Mr. Wang Jian Hua	Note 1	Interest By Attribution	2,256,000,000	–	51.24
Mr. Wang Jian Hua		Beneficial owner	–	339,900,000	7.72
Mr. Wang Jian Hua	Note 2	Interest By Attribution	–	12,000,000	0.27
Mr. Ng Tang, David	Note 1	Interest By Attribution	2,256,000,000	–	51.24
Mr. Ng Tang, David		Beneficial owner	–	10,000,000	0.23
Mr. Bao Wen Bin	Note 1	Interest By Attribution	2,256,000,000	–	51.24
Mr. Bao Wen Bin		Beneficial owner	–	12,000,000	0.27
Mr. Pak Chung	Note 3	Interest By Attribution	305,018,760	–	6.93
Mr. Pak Chung		Beneficial owner	11,982,000	5,000,000	0.39
Mr. Ren Zheng		Beneficial owner	–	6,000,000	0.14
Ms. Ma Jun Li	Note 4	Interest By Attribution	2,256,000,000	339,900,000	58.96
Ms. Ma Jun Li		Beneficial owner	–	12,000,000	0.27

Notes:

1. Mr. Wang Jian Hua, Mr. Ng Tang, David and Mr. Bao Wen Bin beneficially own 93.7%, 3.8% and 2.5%, respectively, of the issued share capital of Best Change Holdings Limited, which in turn owns 2,256,000,000 shares of HK\$0.05 each in the Company.
2. The interest of spouse represents share options held by Ms. Ma Jun Li, spouse of Mr. Wang Jian Hua.
3. Mr. Pak Chung had a corporate interest in 305,018,760 shares of the Company through Fortune Garden Investments Limited, which is wholly and beneficially owned by him.
4. The interest of spouse represents shares and share options held by Mr. Wang Jian Hua, spouse of Ms. Ma Jun Li.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, as at 31st March, 2004, none of the directors, nor their associates, had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTIONS

The Company has two share option schemes which were adopted on 5th March, 1996 (the "1996 Scheme") and 18th March, 2002 (the "2002 Scheme") and the 1996 Scheme was terminated on 18th March, 2002.

Particulars of the Company's share option schemes are set out in note 21 to the financial statements.

The following table discloses movements in the share options which have been granted to or held by certain directors under the share option schemes of the Company during the year:

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(1) 1996 Scheme

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
				Outstanding at 1.4.2003	Granted during the year	Exercised during the year	Outstanding at 31.3.2004
Mr. Pak Chung	17.11.2000	17.5.2001 to 17.11.2005	0.144	2,000,000	-	-	2,000,000

At the date of this report, the number of shares in respect of which options could be exercisable under the 1996 Scheme was 6,648,000 representing approximately 0.15% of the shares of the Company in issue at the date.

(2) 2002 Scheme

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
				Outstanding at 1.4.2003	Granted during the year	Exercised during the year	Outstanding at 31.3.2004
Mr. Wang Jian Hua	8.11.2002	8.11.2002 to 8.11.2005	0.119	339,900,000	-	-	339,900,000
Mr. Ng Tang, David	8.11.2002	8.11.2002 to 8.11.2005	0.119	10,000,000	-	-	10,000,000
Mr. Bao Wen Bin	8.11.2002	8.11.2002 to 8.11.2005	0.119	12,000,000	-	-	12,000,000
Ms. Ma Jun Li	8.11.2002	8.11.2002 to 8.11.2005	0.119	12,000,000	-	-	12,000,000
Mr. Pak Chung	19.9.2002	19.9.2002 to 19.9.2005	0.119	3,000,000	-	-	3,000,000
Mr. Ren Zheng	19.9.2002	19.9.2002 to 19.9.2005	0.119	6,000,000	-	-	6,000,000
				<u>382,900,000</u>	<u>-</u>	<u>-</u>	<u>382,900,000</u>

At the date of this report, the number of shares in respect of which options could be exercisable by all participants under the 2002 Scheme was 382,900,000 representing approximately 8.70% of the shares of the Company in issue at the date.

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 of the Company to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 28 to the financial statements, there were no other contract 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2004, the interests of parties, other than the directors, in 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO are as follows:–

Name	Capacity	Interest in Shares	Interests in underlying shares	Percentage of the Company's Issued share capital
Ms. Feng Gui Ming (Note 1)	Interest By Attribution	2,256,000,000	12,000,000	51.52%
Ms. Wong Hung Wan (Note 2)	Interest By Attribution	2,256,000,000	10,000,000	51.47%
KCG Finance Limited	Security Interest	2,256,000,000	–	51.24%
Fortune Garden Investments Limited	Beneficial owner	305,018,760	–	6.93%

Notes:

- The interests of spouse represents shares and share options held by Mr. Bao Wen Bin, spouse of Ms. Feng Gui Ming.
- The interests of spouse represents shares and share options held by Mr. Ng Tang, David, spouse of Ms. Wong Hung Wan.

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Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "DIRECTORS' INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" above, had registered an interest or short position in the shares or underlying shares of the Company as required to be recorded pursuant to section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were less than 30% of the total sales (2003: less than 30%). The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the total purchases (2003: less than 30%).

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year.

PRE-EMPTIVE RIGHTS

There are no provisions 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.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 30 to the financial statements.

AUDITORS

A resolution will be submitted to the 2004 annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

WANG JIAN HUA

CHAIRMAN

26th July, 2004