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REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

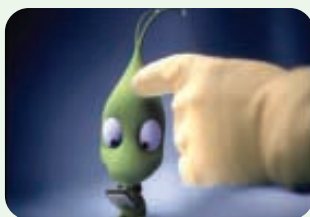
The Directors submit their report together with the audited financial statements for the year ended 30 June 2004.

Principal activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are shown in note 20 to the financial statements.

Results

The results of the Group for the year ended 30 June 2004 are set out in the consolidated profit and loss account on page 36.



Dividend

The Directors recommended the payment of a final dividend of \$0.33 per share (2003: \$0.27 per share) to the shareholders registered in the Company's register of members as at the close of business on 9 November 2004. The proposed final dividend, together with the interim dividend of \$0.20 per share paid by the Company during the year (2003: \$0.20 per share), make a total dividend of \$0.53 per share for the financial year ended 30 June 2004.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is shown on page 33.

Reserves

Movements in the reserves of the Group and the Company during the year are set out on pages 41 and 42.

Distributable reserves

The reserves available for distribution to the shareholders of the Company amounted to \$4,107,678,000 at 30 June 2004 (30 June 2003: \$2,207,935,000).

Donations

During the year, charitable and other donations made by the Group amounted to \$6,000 (2003: \$206,000).

Fixed assets

Details of the movements in fixed assets are shown in note 19 to the financial statements.

Share capital

Details of the movements in share capital of the Company are shown in note 29 to the financial statements.

Directors

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

- * Mr. Raymond **Kwok** Ping-luen
Chairman
- Mr. Douglas **Li**
Chief Executive Officer
- Mr. Patrick **Chan** Kai-lung
- * Mr. Ernest **Lai** Ho-kai
- * Mr. Michael **Wong** Yick-kam
- * Mr. Andrew **So** Sing-tak
- * Mr. **Cheung** Wing-yui
- ** Mr. Eric **Li** Ka-cheung, JP
- ** Mr. **Ng** Leung-sing, JP
- ** Dr. Sachio **Semmoto**
- ** Mr. **Yang** Xiang-dong
(Appointed on 17 December 2003)
- * *Non-Executive Director*
- ** *Independent Non-Executive Director*

In accordance with Bye-law No. 110(A) of the Company's Bye-laws, Messrs. Raymond Kwok Ping-luen, Patrick Chan Kai-lung, Eric Li Ka-cheung and Ng Leung-sing retire by rotation, and Mr. Yang Xiang-dong retires in accordance with Bye-law No. 101 at the forthcoming annual general meeting. All retiring Directors, being eligible, offer themselves for re-election. All remaining Directors shall continue in office.



The term of office of the Independent Non-Executive Directors shall be governed by the provision of Bye-laws No. 110 and No. 111 of the Company.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Directors' service contracts

Under an employment contract between the Company and Mr. Douglas Li dated 31 May 2001, Mr. Douglas Li has been appointed to act as Executive Director and Chief Executive Officer of the Group with effect from 17 July 2001. The contract can now be terminated by the Company by not less than 6 calendar months' notice (or payment in lieu of notice) and compensation of 12 months' salary.

Under an employment contract between the Company with Mr. Patrick Chan Kai-lung dated 1 May 2002, Mr. Patrick Chan Kai-lung has been appointed to act as Executive Director of the Group with effect from 15 May 2002. The contract can be terminated by the Company by not less than 6 calendar months' notice (or payment in lieu of notice).

Apart from the above, none of the Directors has a service contract with the Company with a term of more than 3 years and which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

Apart from the connected transactions referred to in this report, no other contracts of significance in relation to the Group's business 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.

Biographical details of Directors and senior management

Brief biographical details of the Directors and senior management are set out on pages 29 to 32.

Directors' interests and short positions

At 30 June 2004, the interests of the Directors, chief executive and their respective associates in shares and in respect of equity derivatives, underlying shares and debentures of the Company and its associated corporations (as defined in the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO were as follows:

Interests in shares and underlying shares of the Company

Name of director	Shares				Equity derivatives		Percentage of aggregate interests to issued capital
	Personal	Spouse or child under 18	Controlled corporation	Others	Share options <i>(Note)</i>	Aggregate interests	
Raymond Kwok Ping-luen	—	—	—	2,237,767	—	2,237,767	0.38%
Douglas Li	—	—	—	—	3,000,000	3,000,000	0.51%
Patrick Chan Kai-lung	—	—	—	—	1,103,500	1,103,500	0.19%

Note: Information of the share options are listed below:

Name of director	Date of grant	Exercise price \$	Outstanding at 1 July 2003	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year	Outstanding at 30 June 2004
Douglas Li <i>(Note 1)</i>	10 February 2003	9.29	5,000,000	—	2,000,000	—	3,000,000
Patrick Chan Kai-lung <i>(Notes 2 and 3)</i>	10 February 2003 5 February 2004	9.20 9.00	200,000 —	— 970,000	66,500 —	— —	133,500 970,000

Notes:

1. The options are exercisable at \$9.29 per share during the period from 10 February 2003 to 16 July 2011. The options can be exercised up to 20% from 10 February 2003, up to 40% from 17 July 2003, up to 60% from 17 July 2004, up to 80% from 17 July 2005 and in whole from 17 July 2006.
2. The options are exercisable at \$9.20 per share during the period from 2 May 2003 to 1 May 2012. The options can be exercised up to one-third from 2 May 2003, up to two-thirds from 2 May 2004 and in whole from 2 May 2005.
3. The options are exercisable at \$9.00 per share during the period from 5 February 2005 to 4 February 2014. The options can be exercised up to one-third from 5 February 2005, up to two-thirds from 5 February 2006 and in whole from 5 February 2007.

Interests in associated corporations

1. Interests in shares and underlying shares of Sun Hung Kai Properties Limited

Name of director	Shares				Equity derivatives		Percentage of aggregate interests to issued capital
	Personal	Spouse or child under 18	Controlled corporation	Others (Note 1)	Share options (Note 2)	Aggregate interests	
Raymond Kwok Ping-luen	—	—	—	1,079,515,895	75,000	1,079,590,895	44.96%
Michael Wong Yick-kam	70,904	—	—	—	225,000	295,904	0.01%
Ernest Lai Ho-kai	—	—	—	—	36,000	—	0.001%
Eric Li Ka-cheung	—	—	18,000	—	—	18,000	0.0007%

Note 1: Of these shares, Messrs. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen were deemed to be interested in 1,056,338,347 shares, which represented the same interests for the purpose of the SFO.

Note 2: Information of the share options are listed below:

Name of director	Date of grant	Exercise price \$	Outstanding at 1 July 2003	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year	Outstanding at 30 June 2004
Raymond Kwok Ping-luen	16 July 2001	70.00	75,000	—	—	—	75,000
Michael Wong Yick-kam	15 February 2000	70.00	150,000	—	—	—	150,000
	16 July 2001	70.00	75,000	—	—	—	75,000
Ernest Lai Ho-kai	16 July 2001	70.00	36,000	—	—	—	36,000

All options granted and accepted can be exercised up to one-third during the second year from the date of grant, up to two-thirds during the third year from the date of grant, and in whole or in part during the fourth and fifth years from the date of grant, thereafter, the relevant options will expire.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

2. Interests in shares and underlying shares of SUNeVision Holdings Ltd.

Name of director	Shares				Equity derivatives		Percentage of aggregate interests to issued capital
	Personal	Spouse or child under 18	Controlled corporation	Others (Note 1)	Share options (Note 2)	Aggregate interests	
Raymond Kwok Ping-luen	—	—	—	1,742,500	853,333	2,595,833	0.12%
Michael Wong Yick-kam	100,000	—	—	—	420,000	520,000	0.02%
Andrew So Sing-tak	—	—	—	—	800,000	800,000	0.03%

Note 1: Of these shares, Messrs. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen were deemed to be interested in 1,070,000 shares, which represented the same interests for the purpose of the SFO.

Note 2: Information of the share options are listed below:

Name of director	Date of grant	Exercise price \$	Outstanding at 1 July 2003	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 30 June 2004
Raymond Kwok	28 March 2000	10.38	755,000	—	—	251,667	503,333
Ping-luen	7 April 2001	2.34	350,000	—	—	—	350,000
Michael Wong	28 March 2000	10.38	360,000	—	—	120,000	240,000
Yick-kam	7 April 2001	2.34	180,000	—	—	—	180,000
Andrew So	8 July 2002	1.43	400,000	—	—	—	400,000
Sing-tak	29 November 2003	1.59	—	400,000	—	—	400,000

The above share options are exercisable in accordance with the terms of the relevant share option scheme and conditions of grant.

3. Interests in shares of other associated corporations

Mr. Raymond Kwok Ping-luen had the following interests in the shares of the following associated corporations:

Name of associated corporation	Beneficial owner	Attributable percentage of		Actual holding through corporation	Actual percentage interests in issued shares
		Attributable holding through corporation	shares in issue through corporation		
Superindo Company Limited	10	—	—	—	10%
Super Fly Company Limited	10	—	—	—	10%
Splendid Kai Limited	—	2,500	25%	1,500	15%
Hung Carom Company Limited	—	25	25%	15	15%
Tinyau Company Limited	—	1	50%	1	50%
Open Step Limited	—	8	80%	4	40%

Note: Messrs. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen were deemed to be interested in these shares, which represented the same interests for the purpose of the SFO. Those shares were held by corporations in which they were entitled to control the exercise of one-third or more of the voting rights in the general meetings of those corporations.

The interests of the Directors and chief executive in the share options of the Company and its associated corporations are being regarded for the time being as unlisted physically settled equity derivatives. The details of the share options of the Company are stated under the Share Option Schemes section below.

Save as disclosed above, at 30 June 2004, none of the Directors and chief executive (including their spouses and children under 18 years of age) and their respective associates had or deemed to have any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any of its associated corporations that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or 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 SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Arrangement to purchase shares or debentures

Other than the share options as mentioned above, at no time during the year was the Company or any of its subsidiaries or the Company's holding company or any subsidiaries of the holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or of any other body corporate.

Directors' interests in competing business

None of the Directors of the Company has interest in any business which may compete with the business of the Group.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Share Option Schemes

A new share option scheme was adopted by the Company on 15 November 2002 (the "New Share Option Scheme") to replace the share option scheme adopted on 17 October 1996 (the "Old Share Option Scheme") to comply with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company may grant options to the

participants to subscribe for shares of the Company pursuant to the terms as set out in the New Share Option Scheme. A summary of the terms of the New Share Option Scheme will be set out below.

At 30 June 2004, the following share options granted to the participants during the year pursuant to the New Share Option Scheme were still outstanding:

Grantee	Date of grant	Exercise price \$	Exercise period	Outstanding at 1 July 2003	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year	Outstanding at 30 June 2004
Directors								
Douglas Li	10 February 2003	9.29	10 February 2003 to 16 July 2011	5,000,000	—	2,000,000	—	3,000,000
Patrick Chan Kai-lung	10 February 2003	9.20	2 May 2003 to 1 May 2012	200,000	—	66,500	—	133,500
	5 February 2004	9.00	5 February 2005 to 4 February 2014	—	970,000	—	—	970,000
Employees	5 February 2004	9.00	5 February 2005 to 4 February 2014	—	8,487,000	—	—	8,487,000

The closing price of the shares of the Company as quoted by the Stock Exchange on 4 February 2004, the trading day preceding the date of grant of the options during the year, was \$9.00.

Other than the options stated above, no options had been granted by the Company to the other participants pursuant to the New Share Option Scheme.

The Old Share Option Scheme was terminated by the Company on 15 November 2002. Upon termination of the Old Share Option Scheme, no further options could be granted thereunder but in all other respects, the provisions of the Old Share Option Scheme shall remain in force and all options granted prior to termination shall continue to be valid and exercisable in accordance therewith. At 30 June 2004, there was no share option outstanding under the Old Share Option Scheme.

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed during the year.

Valuation of the share options granted during the year

In assessing the value of the share options granted during the year ended 30 June 2004, the Black-Scholes option pricing model adjusted for dividends (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the value of options and is one of the recommended option pricing models set out in Chapter 17 of the Listing Rules. The variables and assumptions adopted in assessing the value of the share options granted during the year under the Black-Scholes Model are as follows:

(a) Risk free interest rate

2.73%, being the weighted average yield of the relevant Hong Kong Exchange Fund Notes corresponding to the expected life of the options as at the date of grant (the "measurement date").

(b) Expected life of the options
5 years, being the weighted average expected life of the options as measured from the measurement date.

(c) Expected volatility
41.99%, being the weighted average annualised standard deviation of the continuously compounded rates of return, calculated with reference to the daily closing share prices of the Company, over the most recent historical periods

from the measurement date which are commensurate with the expected lives of the options.

(d) Expected dividend
6.3%, being the average dividend yield for the two financial years ended 30 June 2003 and 2004.

Using the Black-Scholes Model in assessing the value of share options granted during the year, the options would have an aggregate value of approximately \$18,630,290 represented as follows:

	Number of share options granted during the year	Estimated weighted average value per option \$	Estimated value of options granted during the year \$
Director			
Patrick Chan Kai-lung	970,000	1.97	1,910,900
Employees			
	8,487,000	1.97	16,719,390
Total	9,457,000		18,630,290

Director

Patrick Chan Kai-lung

Employees

Total

No adjustment has been made for possible future forfeiture of the options. No charge is recognised in the profit and loss account in respect of the value of options granted during the year. The share options granted will be recognised in the balance sheet at the time when the share options are exercised. Share capital will be credited at par for each share issued upon the exercise of share options, with share premium credited at the excess of net proceeds received over total share capital credited.

It should be noted that the value of options calculated using the Black-Scholes Model is based on various assumptions and is only an estimate of the value of share options granted during the year. It is possible that the financial benefit accruing to the grantee of an option will be considerably different from the value determined under the Black-Scholes Model.

A summary of the principal terms of the New Share Option Scheme is set out below pursuant to the requirements as contained in Chapter 17 of the Listing Rules:

(a) Purpose

The purpose of the New Share Option Scheme is to reward participants who have made a valuable contribution to the growth of the Group and to enable the Group to recruit and/or to retain employees who are regarded as valuable to the Group or are expected to be able to contribute to the business development of the Group.

(b) Participants

Any employee, agent, consultant or representative of the Company or any of the subsidiaries, including any director of the Company or any of the subsidiaries who has made valuable contribution to the growth of the Group based on his work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the Scheme at the invitation of the Directors.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

(c) Maximum number of shares available for issue

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under all the share option schemes does not in aggregate exceed 10% of the shares in issue on the date of adoption of the New Share Option Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes does not exceed 30% of the shares in issue from time to time.

At 16 September 2004, the number of shares issuable upon the exercise of the options granted pursuant to the New Share Option Scheme is 12,590,500 shares which represents approximately 2.16% of the issued ordinary shares of the Company.

(d) Maximum entitlement of each participant

The maximum entitlement for any participant is that the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the relevant class of shares in issue.

(e) Time of exercise of option

No option may be exercised later than 10 years after it has been granted and no option may be granted more than 10 years after the date on which the Scheme is adopted by the Company in general meeting.

(f) Payment on acceptance of option

Acceptance of offer to grant an option shall be sent in writing together with a remittance in favour of the Company of \$1.00 by way of consideration for the grant must be received by the secretary of the Company within 28 days from the date of the making of such offer.

(g) Basis of determining the exercise price

The option price per share payable upon the exercise of any option will be determined by the Directors upon the grant of such option. It will be at least the higher of (i) the average closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the day of offer of such option; (ii) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the day of offer of such option, which must be a business day; and (iii) the nominal value of a share.

(h) Remaining life of the Scheme

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption of the Scheme on 15 November 2002.

Disclosable interests and short positions of shareholders under the SFO

At 30 June 2004, the following parties (other than the Directors and chief executive of the Company) had interests of 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as notified to the Company:

Name of shareholder	Note	Number of shares interested	Percentage of shares to issued share capital
Cellular 8 Holdings Limited ("Cellular 8")	1 and 2	289,364,972	49.61%
Sun Hung Kai Properties Limited ("SHKP")	1 and 2	303,532,897	52.04%
Marathon Asset Management Limited		52,720,373	9.04%

Notes:

- For the purposes of the SFO, the interest of Cellular 8 in the 289,364,972 shares of the Company noted above against the name of Cellular 8 is also attributed to SHKP on the basis that SHKP controls one-third or more of Cellular 8. The number of shares noted above against the name of SHKP therefore duplicates the interest of Cellular 8.
- For the purposes of the SFO, the same interest of Cellular 8 is also attributed to those subsidiaries of SHKP through which SHKP holds its interest in Cellular 8. These subsidiaries are TFS Development Company Limited and Fourseas Investments Limited.

Save as disclosed above, no other parties had registered as having an interest of 5% or more in the shares or underlying shares of the Company or having short positions as recorded in the register kept under section 336 of the SFO.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of the Company's shares in the market at 16 September 2004.

Purchase, sale or redemption of shares

During the year ended 30 June 2004, the Company repurchased 2,290,000 shares on the Stock Exchange. These repurchased shares were subsequently cancelled. Please refer to note 29(d) to the financial statements for details of the repurchases.

The aggregate price of the repurchased shares (before expenses) was \$18,634,075 of which \$18,405,075 was charged against the retained profits and contributed surplus accounts. A sum equivalent to the nominal value of the repurchased shares, amounting to \$229,000 was transferred from retained profits to the capital redemption reserve.

Save as disclosed above, at no time during the year ended 30 June 2004 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

Pre-emptive rights

There is no provision for pre-emptive rights under either the Company's Bye-laws or the laws in Bermuda.

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

The percentages of the Group's purchases attributable to major suppliers are as follows:

Percentage of purchases attributable to the Group's largest supplier	31%
Percentage of purchases attributable to the Group's five largest suppliers	54%

None of the Directors and their associates had an interest in the major suppliers noted above.

During the year, the Group sold less than 30% of its total goods and services to its five largest customers.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Connected transactions

1. Certain related party transactions as disclosed in note 31 to the financial statements also constituted connected transactions. The following transactions between certain connected persons (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

- (a) Certain subsidiaries and associates of Sun Hung Kai Properties Limited ("SHKP"), the substantial shareholder of the Company, have leased premises to the Group for use as offices, retail shops and warehouses and have granted licences to the Group for the installation of base stations, antenna and telephone cables on certain premises owned by them. For the year ended 30 June 2004, rental, licence fees and management fees paid and payable totalled \$52,807,000.
- (b) Certain wholly-owned subsidiaries of SHKP provided general insurance services to the Group. For the year ended 30 June 2004, insurance premiums paid and payable were \$9,249,000.
- (c) New-Alliance Asset Management (Asia) Limited, an associate of SHKP, has been appointed as the investment manager of the Group's Occupational Retirement Scheme since October 1999. For the year ended 30 June 2004, no fee was paid by the Group as New-Alliance Management (Asia) Limited was remunerated by way of fee levied on mutual funds to which the Group's Occupational Retirement Scheme subscribes.

The above transactions have been reviewed by the Company's Independent Non-Executive Directors. The Independent Non-Executive Directors confirmed that these continuing connected transactions were entered into by the Company in the ordinary course of business and on normal commercial terms or terms that were fair and reasonable so far as the shareholders of the Company are concerned.

The Independent Non-Executive Directors also confirmed that the transactions were entered into in accordance with the terms of the agreements governing such transactions or on terms no less favourable to the Group than terms available to or from independent third parties and that the aggregate amounts of the transactions for the financial year ended 30 June 2004 had not exceeded the relevant maximum amount capped for each category in accordance to the waiver previously granted by the Stock Exchange.

The auditors of the Company further confirmed that the continuing connected transactions (i) have received the approval of the Company's board of Directors; (ii) have been entered into in accordance with the relevant agreements governing the transactions and (iii) have not exceeded the caps allowed by the Stock Exchange in the previous waiver.

2. On 1 September 2000, a subsidiary of the Company, SmarTone (BVI) Limited subscribed for a 72% interest in the share capital of SmarTone Delta Asia (BVI) Limited and the remaining 28% interest was subscribed for by Delta Asia Group (Holdings) Limited.

Subsequent to the establishment of SmarTone Delta Asia (BVI) Limited, a shareholders agreement between SmarTone (BVI) Limited and Delta Asia Group (Holdings) Limited was signed on 4 January 2001 whereby both shareholders agreed to establish a wholly-owned subsidiary SmarTone - Comunicações Móveis, S.A. for engaging in public mobile services in the Macau Special Administrative Region. The shareholders agreement also stipulated that the shareholders would provide for the necessary financing, either through external financing or by way of shareholders' loan, to both SmarTone Delta Asia (BVI) Limited and SmarTone - Comunicações Móveis, S.A. in proportion to their respective shareholding. The amount of interest bearing loan due to SmarTone (BVI) Limited at the balance sheet date was \$35,280,000.

3. At 30 June 2004, the Group had an interest in an associate, the major shareholder of which is a subsidiary of SHKP. The principal activity of the associate is to invest in an equity fund which primarily invests in technology related companies in the People's Republic of China.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee of the Company were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by Hong Kong Institute of Certified Public Accountants (formerly Hong Kong Society of Accountants).

The Audit Committee of the Company has been established since 1999 to provide advice and recommendations to the Board. The majority of the Committee members are Independent Non-Executive Directors and since March 2004, the chairman of the Committee is also an Independent Non-Executive Director. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

The Audit Committee held a meeting on 2 September 2004 and reviewed the full year financial statements and reports of the Group for the year ended 30 June 2004. The Committee was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

Code of Best Practice

In the opinion of the Directors, during the accounting period covered by this annual report, the Group has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the Non-Executive Directors were not appointed for specific terms. However, the Non-Executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

The Directors adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 of the Listing Rules as the Model Code of the Company regarding securities transactions by directors with effect from 31 March 2004. Since its adoption, the Directors have complied with the required standard set out in the Model Code regarding securities transactions.

The financial information disclosed in this report complies with the disclosure requirements of Appendix 16 of the Listing Rules.

On behalf of the Board

Raymond Kwok Ping-luen

Chairman

Hong Kong, 16 September 2004