

REPORT OF THE DIRECTORS

The directors of MEXAN LIMITED (formerly known as Asean Resources Holdings Limited) (the “Company”) submit their report together with the audited accounts for the year ended 31 March 2004.

CHANGE OF NAME

Pursuant to a special resolution of the Company passed on 25 September 2003 and the approval of the Registrar of Companies in Bermuda, the name of the Company has been changed from Asean Resources Holdings Limited to MEXAN LIMITED effective from 25 September 2003 and the Chinese name of 茂盛控股有限公司 has been adopted by the Company for the purposes of identification and registration with the Registrar of Companies in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries (the “Group”) for the year are set out in the consolidated profit and loss account on page 26.

The state of affairs of the Group and the Company as at 31 March 2004 are set out in the balance sheets on pages 27 to 29.

The cash flows of the Group are set out in the consolidated cash flow statement on page 31.

As at 31 March 2004, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$1,541,427,000 (2003: HK\$1,220,988,000).

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries and associated companies include property development and investment, securities investment and trading, hotel ownership and investment holding. Further details of subsidiaries and associated companies as at 31 March 2004 are set out in notes 35 and 14 to the accounts respectively.

An analysis of turnover and contribution to results from operations of the Group for the year by principal activities is set out in note 3 to the accounts.

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated results from operations of the Group are attributable to markets outside Hong Kong.

REPORT OF THE DIRECTORS

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 12 to the accounts.

PRINCIPAL PROPERTIES

Details of the Group's principal investment properties are set out on page 80.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the accounts.

8

BANK LOANS

Particulars of the Group's bank loans are set out in note 26 to the accounts.

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 set out on page 79.

CONVERTIBLE NOTES

Details of the convertible notes of the Company as at 31 March 2004 are set out in note 27 to the accounts.

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

The Company has not redeemed any of its listed securities during the year.

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

REPORT OF THE DIRECTORS

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive Directors:

LAU Kan Shan (<i>Chairman</i>)	(appointed on 30 June 2003)
CHING Yung	(appointed on 30 June 2003)
YUEN Hiu Kwan	(appointed on 30 June 2003, retired on 24 December 2004 and appointed on 29 December 2004)
YAN Sheng (<i>Chief Executive Officer</i>)	(appointed on 8 November 2003 and resigned on 22 December 2004)
CHAN Boon Ho, Peter	(resigned on 21 July 2003)
CHENG Kam Biu, Wilson	(resigned on 21 July 2003)
LO Lin Shing, Simon	(resigned on 21 July 2003)
CHAN Chi On, Derek	(resigned on 21 July 2003)
WONG Kam Cheong, Stanley	(resigned on 21 July 2003)
LAI Yu Ting	(resigned on 21 July 2003)
LAI Hing Chiu, Dominic	(resigned on 21 July 2003)

Non-Executive Director:

TO Hin Tsun, Gerald	(resigned on 21 July 2003)
---------------------	----------------------------

Independent Non-Executive Directors:

LAU Wai	(appointed on 30 June 2003)
CHAN Wai Dune	(appointed on 30 September 2004)
TONG Kwai Lai	(appointed on 26 November 2004)
CHENG Chun Pong, Paul	(appointed on 30 June 2003 and resigned on 26 November 2004)
CHEUNG Hon Kit	(resigned on 21 July 2003)
NG Wai Hung	(resigned on 21 July 2003)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. CHAN Wai Dune and Mr. TONG Kwai Lai being directors appointed by the board of directors during the year, retired at the annual general meeting held on 24 December 2004 ("AGM") and were re-elected as directors of the Company at the AGM.

Mr. YUEN Hiu Kwan retired at the AGM and did not stand for re-election. On 29 December 2004, Mr. YUEN was appointed as a director of the Company. In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. YUEN shall retire at the forthcoming annual general meeting and, being eligible offer himself for re-election.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management of the Company as at the date of this report are set out below:

Executive Directors

Lau Kan Shan, aged 47, has been a director of the Company since June 2003 and appointed the Chairman of the board in July 2003. He had worked in various trading companies in the PRC for approximately eight years before he started his own trading business in Hong Kong in the 1980s. Mr. Lau is currently engaged in a wide variety of businesses including PRC highway investment, highway infrastructure construction and related businesses, real estate investment and financial services. Mr. Lau is a director of Mexan International Limited and a number of other companies. He is also a director of Mexan Group Limited which has an interest in the shares of the Company which falls to be disclosed under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

Yuen Hiu Kwan, aged 33, has been appointed as a director of the Company in December 2004. He graduated from the 上海財經大學 (University of Finance in Shanghai) with a bachelor degree in finance in 1993 and obtained qualified certificates as Attorney-At-law, Accountant and Registered Tax Agent in the PRC. In early 1990's, he worked in the areas of securities settlement, renminbi loan business and foreign currency loan business in 中國農業銀行上海市信託投資公司 (The Agricultural Bank of China, Shanghai Trust and Investment Corporation). In 1999, Mr. Yuen was involved in leading various highway infrastructure projects. For the appointment of Mr. Yuen, please refer to the Company's announcement dated 29 December 2004.

Ching Yung, aged 45, has been a director of the Company since June 2003. She has been the assistant to Mr. Lau Kan Shan since 1991 prior to joining the Company. Ms. Ching has over ten years experience in shipping, sales, accounting and administration.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – continued

Independent Non-Executive Directors

Lau Wai, aged 29, has been a director of the Company since June 2003. He is the director of Point Best International Limited, which is engaged in the trading of luxury automobiles in the PRC. Mr. Lau, after graduating from Hong Kong University of Science and Technology with a bachelor honours degree in 1997, worked for Epson Hong Kong Ltd. and PCCW Limited.

Chan Wai Dune, aged 52, has been appointed a director of the Company in September 2004. He has over 24 years of experience in the finance sector, especially in auditing and taxation areas. He is a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He has served a number of committees of the Hong Kong Institute of Certified Public Accountants. Mr. Chan is currently a member of CPPCC of Guangzhou Municipal Committee (廣州市政協委員會) and a member of the Executive Council of China Overseas Friendship Association (中華海外聯誼會). He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. Mr. Chan is currently principally employed as the Managing Director of CCIF CPA Limited.

Mr. Chan currently also serves as an independent non-executive director of Sam Woo Holdings Limited, Hualing Holdings Limited, IIN International Limited, Oriental Metals (Holdings) Company Limited, Zhongda International Holdings Limited, Sino Union Petroleum & Chemical International Limited (formerly known as Minglun Group (Hong Kong) Limited) and Jinheng Automotive Safety Technology Holdings Limited.

Tong Kwai Lai, aged 44, has been appointed a director of the Company in November 2004. He has over 20 years of experience in directing and producing films and is a Hong Kong leading action director, producer, stunt choreographer and script writer. Mr. Tong directed a number of famous movies and TV series which included Police Story III: Super Cop, Rumble in the Bronx, First Strike and Martial Law for CBS. Recently, the Asian Business Association and the “Media Achievement Award” from MANAA presented Mr. Tong with an “Excellence in Entertainment Leadership Award” for his contributions to the Asian American market.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in item 1 under the section headed "CONNECTED TRANSACTIONS" and the entering into the Share Option Agreement (as hereafter defined), no contracts of significance in relation to the Company's business to which the Company, its subsidiaries, holding companies or fellow 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

The Share Option Scheme adopted on 8 September 1998 (the "Old Scheme") was expired on 8 September 2001. All of the outstanding 104,200,000 share options granted under the Old Scheme were cancelled on 26 June 2003 pursuant to a share option agreement dated 18 March 2003 (the "Share Option Agreement") made between the Company and the holders of those options. Details of the Share Option Agreement are contained in an announcement dated 20 March 2003 issued by the Company.

At the Special General Meeting of the Company held on 27 September 2004, the Company adopted a new share option scheme (the "New Scheme") which is in compliance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). No options have been granted under the New Scheme during the period from the date of adoption up to the date of this report.

Below is a summary of the principal terms of the New Scheme:

1. Purpose of the New Scheme

To enable the Group and any entity in which any member of the Group holds an equity interest (the "Invested Entity") to recruit and retain high caliber employees and attract human resources that are valuable to the Group or the Invested Entity, to recognize the significant contributions of the Participants to the growth of the Group or the Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and give incentives to the Participants to continue to contribute to the long term success and prosperity of the Group or the Invested Entity

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME – continued

- | | | |
|----|--|--|
| 2. | Participants of the New Scheme | Any participant (including any director or employees, any consultant, advisors or agent engaged by or any vendor, supplier of goods or services or customer of or to any member(s) of the Group or any Invested Entity) as the Board may in its absolute discretion select, having regard to each person's qualification, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group or any Invested Entity |
| 3. | Maximum number of shares | The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed thirty (30) per cent. of the share capital of the Company from time to time |
| 4. | Total number of shares available for issue upon exercise of all options under the New Scheme | 131,092,524 shares unless shareholders' approval has been obtained according to the requirements of the Listing Rules in force, being 10% of the issued share capital of the Company at the date of approval of the New Scheme by the shareholders of the Company |
| 5. | Maximum entitlement of each participant under the New Scheme | The total number of shares issued and to be issued upon exercise of the options granted to each participant under the New Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed one (1) per cent. of the issued share capital of the Company unless the same is approved by the shareholders of the Company in general meeting |

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME – continued

- | | | |
|-----|---|--|
| 6. | the period within which the shares must be taken up under an option | The option period shall be determined by the Board upon grant of each option, provided that it shall not exceed a period of ten (10) years commencing on the date on which the Board grants the options or such later date as the Board may decide |
| 7. | the minimum period for which an option must be held before it can be exercised | Not applicable |
| 8. | the amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid | The offer of an option made in accordance with the New Scheme may be accepted within ten (10) business days from the date of offer and the amount payable on acceptance of the option is HK\$1.00 |
| 9. | the basis of determining the subscription price | The subscription price shall be determined by the Board and shall not be less than the highest of: <ul style="list-style-type: none">(a) the official closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the date of offer of the relevant option;(b) the average of the official closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the date of offer of the relevant option; and(c) the nominal value of a share of the Company |
| 10. | the remaining life of the New Scheme | The New Scheme was adopted on 27 September 2004 and shall be valid and effective for a period of ten (10) years commencing from the date of adoption |

REPORT OF THE DIRECTORS

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

As at 31 March 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of 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 contained in the Listing Rules were as follows:

(i) Long positions in shares of the Company

Name of director	No. of shares of HK\$0.10 each held	Capacity and nature of interest	Approximate shareholding percentage (%)
Lau Kan Shan (Note i)	964,548,303 (Note ii)	Interest of controlled corporation	73.58
Yan Sheng	9,000,000	Beneficial owner	0.69

Notes:

- i. A substantial shareholder of the Company.
- ii. Such shares were held by Mexan Group Limited and Mr. Lau Kan Shan was taken to have an interest in such shares by virtue of the SFO since he was entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Mexan Group Limited.

(ii) Long positions in shares of associated corporation

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity and nature of interest	Shareholding percentage (%)
Mexan Group Limited	Lau Kan Shan	100	Beneficial owner	100

Save as disclosed above and other than the nominee share in a subsidiary held in trust for the Company by a director, as at 31 March 2004, none of the directors of the Company and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO).

REPORT OF THE DIRECTORS

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the section headed "SHARE OPTION SCHEME", at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies 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 COMPETING BUSINESS

The following directors were considered to have interests in the following businesses ("Competing Business") which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules as set out below:

Name of director	Name of entity of the Competing Business	Description of the Competing Business	Nature of interest of the director in the entity
Lau Kan Shan	Mexan International Limited	Property investment	As substantial shareholder and director
	上海茂盛企業發展(集團)有限公司	Property development and investment	As substantial shareholder and director
	上海茂盛房地產有限公司	Property development and investment	As substantial shareholder and director
Yuen Hiu Kwan	上海茂盛企業發展(集團)有限公司	Property development and investment	As director

Having considered the nature, size, geographical and scope of the above businesses, the directors of the Company believed that there is unlikely to be any significant competition with the businesses of the Group and the Group is therefore capable of carrying on such business independently of, and at arm's length from the businesses of the above companies.

REPORT OF THE DIRECTORS

PERSONS WHO HAD AN INTEREST OR A SHORT POSITION WHICH WAS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 31 March 2004, the following persons, other than the directors of the Company whose interests are disclosed above, who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Long/short position	No. of shares of HK\$0.10 each held	Capacity and nature of interest	Approximate shareholding percentage (%)
Mexan Group Limited	Long	964,548,303 (Note i)	Beneficial owner	73.58
Xia He Na (Note ii)	Long	964,548,303 (Note ii)	Interest of spouse	73.58
Cheung Kong (Holdings) Limited (Note iii)	Long	77,775,741 (Note iv)	Interest of controlled corporation	5.93
Li Ka-Shing Unity Trustee Company Limited (Note iii)	Long	77,775,741 (Note iv)	Trustee	5.93
Li Ka-Shing Unity Trustee Corporation Limited (Note iii)	Long	77,775,741 (Note iv)	Trustee and beneficiary of a trust	5.93
Li Ka-Shing Unity Trustcorp Limited (Note iii)	Long	77,775,741 (Note iv)	Trustee and beneficiary of a trust	5.93
Li Ka-Shing (Note iii)	Long	77,775,741 (Note iv)	Interest of controlled corporation and founder of discretionary trusts	5.93

REPORT OF THE DIRECTORS

PERSONS WHO HAD AN INTEREST OR A SHORT POSITION WHICH WAS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO – continued

Notes:

- i. Mr. Lau Kan Shan is deemed to be interested in the 964,548,303 shares of the Company held by Mexan Group Limited as Mr. Lau Kan Shan is entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Mexan Group Limited.
- ii. Ms. Xia He Na (formerly known as Ms. Ha Ming Kuen), the spouse of Mr. Lau Kan Shan, is deemed to be interested in Mr. Lau's shares which represented the same parcel of shares of the Company as held by Mexan Group Limited.
- iii. Mr. Li Ka-Shing is the settler and may be regarded as a founder of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") for the purpose of the SFO. Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of DT1 and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of DT2 holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of UT1. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings, holds interest in the shares of Cheung Kong (Holdings) Limited ("CKH").

The 77,775,741 shares of the Company are interested in by Hutchison International Limited ("HIL") and Broadwell Profits Limited ("Broadwell"). HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL") and Broadwell is an indirect wholly-owned subsidiary of CKH. Certain subsidiaries of CKH together hold more than one-third of the issued share capital of HWL.

Therefore, Mr. Li Ka-Shing, TDT1, TDT2, TUT1 and CKH are deemed to be interested in the same 77,775,741 shares of the Company which HIL and Broadwell are interested in under the SFO.

- iv. Such 77,775,741 shares of the Company consists of (a) 24,442,408 shares of the Company; and (b) 53,333,333 shares of the Company to be issued by the Company upon full conversion of the convertible notes issued by the Company on 5 November 2003, assuming that the conversion price is HK\$3.00 per share, details of which are contained in the circular of the Company dated 3 November 2003.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 March 2004, which also constitute connected transactions under the Listing Rules, are disclosed in note 32 to the accounts. The other connected transactions which are required to be disclosed in accordance with Chapter 14 of the Listing Rules are as follows:

1. On 20 June 2003, a management contract (the "Management Contract") was entered into among Winsworld Properties Limited ("Winsworld"), a wholly owned subsidiary of the Company, Mr. Chan Boon Ho, Peter ("Mr. Chan"), a former director of the Company in the preceding 12 months, and Verywell Services Limited ("Verywell"), an associate of Mr. Chan. Under the Management Contract, Verywell will manage, deal with and handle all matters in relation to the management of the Elizabeth House Commercial Podium ("E-House") in Causeway Bay, Hong Kong and Winsworld will receive from Verywell guaranteed annual net rental receipt of HK\$78 million for three years commencing from 26 June 2003.

As Verywell is an associate of Mr. Chan, a connected person, the transactions constitute connected transactions of the Company.

The Stock Exchange has on 10 April 2003 granted a conditional waiver to the Company from strict compliance with the disclosure and shareholders' approval requirements under Rule 14.26 of the Listing Rules in respect of such transactions for a period of three financial years ending 31 March 2006.

The Independent Non-Executive Directors of the Company have reviewed the transactions contemplated under the Management Contract and confirmed that the transactions have been entered into by the Group in the ordinary and usual course of business, conducted on normal commercial terms and entered into in accordance with the terms of the Management Contract and that the annual monetary amount guaranteed by Verywell in favour of Winsworld in accordance with the terms of the Management Contract was HK\$78 million.

2. On 20 October 2003, Winsworld entered into licence agreements (the "Licence Agreements") with Wise Step International Limited ("Wise Step"), an associate of Mr. Chan, to licence to Wise Step for two years commencing from 1 October 2003 the multi-storey car park of the E-House at a licence fee of HK\$650,000 per month (exclusive of rates and service charges), and the designated signage at a licence fee of HK\$454 per month (exclusive of rates and service charges), details of which are set out in the Company's announcement dated 20 October 2003.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS – continued

As Wise Step is an associate of Mr. Chan, who is a connected person of the Company by virtue of having been a director of the Company in the preceding 12 months, the transaction constitutes a connected transaction of the Company.

The Stock Exchange has on 31 October 2003 granted a conditional waiver to the Company from strict compliance with the requirement of disclosure by press notice, circular to shareholders and/or independent shareholders' approval as stipulated in Chapter 14 of the Listing Rules in connection with the above transaction on each occasion they arise.

The Independent Non-Executive Directors of the Company have reviewed the above transaction and confirmed that the transaction was in the ordinary and usual course of business of the Company, conducted on normal commercial terms and fair and reasonable so far as the shareholders of the Company are concerned and entered into in accordance with the terms of the Licence Agreements and that the annual aggregate value of the above transaction had not exceeded the amount as stated in the Licence Agreements.

20

3. On 26 March 2004, Winsworld entered into an agreement with Kind City Limited ("Kind City"), an associate of Mr. Chan, to let to Kind City the whole of 5th Floor of the E-House at the monthly rent of HK\$800,000 (exclusive of rates and service charges) and to grant a licence to Kind City for the use of the designated signage at a monthly licence fee of HK\$1 (exclusive of rates and service charges), both for a term of six years commencing from 1 June 2004, details of which are set out in the Company's announcement dated 30 March 2004.

As Kind City is an associate of Mr. Chan, a connected person of the Company, the transaction constitutes a connected transaction of the Company.

4. During the year, Asean Resources Limited, an associate of Mr. Chan, provided accounting services to the Company for a consideration of HK\$700,000.
5. During the year, Mr. Chan provided a loan facility of HK\$10,000,000 to the Company, which was fully utilized as at 31 March 2004, details of which are set out in note 22 to the account.
6. On 30 September 2003, Mexan Resources Limited, a wholly owned subsidiary of the Company, as tenant entered into a tenancy agreement (the "Tenancy Agreement") with Mexan International Limited ("MIL") as landlord for renting office premises, certain furniture and fixtures and car parks for a term of three years commencing from 1 October 2003 at a monthly rent of HK\$160,000 (inclusive of management fee, rates and government rent and all charges for gas, water and electricity) from MIL.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS – continued

As MIL is beneficially owned as to 65% by Mr. Lau Kan Shan, an executive director, chairman and controlling shareholder of the Company, the transaction constitutes a connected transaction of the Company.

The Stock Exchange has on 10 October 2003 granted a conditional waiver to the Company from strict compliance with the requirement of disclosure by press notice under Rule 14.25(1) of the Listing Rules in connection with the above transaction on each occasion it arises for the term of the Tenancy Agreement.

The Independent Non-Executive Directors of the Company have reviewed the above transaction and confirmed that the transaction was entered into in the ordinary and usual course of business of the Company, conducted on normal commercial terms and on terms that are fair and reasonable so far as the shareholders of the Company are concerned and that the annual aggregate value of the above transaction had not exceeded the higher of HK\$3,000,000 or 0.1% of the net tangible assets of the Company.

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

Turnover attributable to the largest and the five largest customers accounted for 18% and 51% respectively of the turnover of the Group for the year. There was no purchase incurred during the year.

None of the directors, their associates or any shareholder who, to the knowledge of the directors, owns more than 5% of the Company's share capital, had any interest in the major suppliers or customers noted above.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-Executive Directors namely, Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai. The Audit Committee meets at least twice a year to review, among other things, the interim and the final results of the Group prior to recommending them to the Board for approval.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the financial year ended 31 March 2004 with the exception that the non-executive directors of the Company are not appointed for specific terms of office but retire from office on a rotational basis in accordance with the Company's Bye-laws.

PENSION SCHEME

Details of the Group's pension scheme are set out in note 9 to the accounts.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 33 to the accounts.

AUDITORS

On 12 November 2004, PricewaterhouseCoopers, who acted as auditors of the Company for the year ended 31 March 2003, resigned and Horwath Hong Kong CPA Limited were appointed as auditors of the Company. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ching Yung

Director

Hong Kong, 31 December 2004