

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, 2005.

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, 2005 are set out in the consolidated income statement on page 23.

During the year, the company paid a final dividend of HK\$0.01 per ordinary share for the year 2004, totalling HK\$4,496,000.

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 9th September, 2005.

INVESTMENT PROPERTIES

All of the investment properties of the group were revalued at 31st March, 2005. The revaluation surplus arising on revaluation, which amounted to HK\$15,355,000, 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 15 to the financial statements.

Particulars of the investment properties of the group as at 31st March, 2005 are set out on page 65.

PROPERTY, PLANT AND EQUIPMENT

All of the leasehold land and buildings were revalued at 31st March, 2005. The revaluation surplus arising on revaluation, which amounted to HK\$14,031,000, 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 16 to the financial statements.

Particulars of the leasehold land and buildings of the group as at 31st March, 2005 are set out on page 66.

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.

PRE-EMPTIVE RIGHTS

There is no provision 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.

DONATIONS

Donations made by the group during the year amounted to HK\$507,000.

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

Tsui Hon Wing

Wu Kwok Lam

Yeh Yui Fong

Kwok Cheuk Tim, Rockie (Resigned on 31st August, 2004)

Independent non-executive directors:

Chiu Ngar Wing

Chu Chor Lup

Leung Tai Wai, David (Appointed on 30th September, 2004)

In accordance with Article 108 of the company's Articles of Association, Messrs. Chan Ming Him, Denny, Tsui Hon Wing and Wu Kwok Lam will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Article 112 of the company's Articles of Association, the term of directorship of Mr. Leung Tai Wai, David, who was appointed on 30th September, 2004, will end at the forthcoming annual general meeting. Under that Article, Mr. Leung Tai Wai, David, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Each of the executive directors has entered into a service contract with the company for an initial term of three years commencing from 12th September, 2001, and is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party to the other.

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

None of the directors of the company has a service contract with the company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The company has received from each of its current independent non-executive directors an annual confirmation of his independence and the company considers each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

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

As at 31st March, 2005, the interests and short positions of the directors and chief executive of the company in 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 (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 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 at 31st March, 2005 |
|------------------------|---|--------------------------------|---|---|
| Chan Chung Yee, Hubert | The company | Founder of a trust | 229,176,575 ordinary shares (each a "Share") of HK\$0.01 each (L) <i>(Note 2)</i> | 49.74% |
| | The company | Beneficial owner | 4,300,000 Shares (L) | 0.93% |
| | Matrix World Group Limited | Founder of a trust | 1 share of US\$1.00 each (L) | 100% |

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 at 31st March, 2005 |
|----------------------|---|---------------------------------------|--|---|
| Chan Chung Yin, Roy | The company | Founder of a trust | 68,417,400 Shares (L) <i>(Note 3)</i> | 14.85% |
| | The company | Beneficial owner | 2,000,000 Shares (L) | 0.43% |
| Chan Man Min | The company | Interest of controlled corporation | 24,709,650 Shares (L) <i>(Note 4)</i> | 5.36% |
| | The company | Beneficial owner | 1,000,000 Shares (L) | 0.22% |
| Yeh Yui Fong | The company | Interest of controlled corporation | 2,681,550 Shares (L) <i>(Note 5)</i> | 0.58% |
| | The company | Beneficial owner | 1,000,000 Shares (L) | 0.22% |
| Tsui Hon Wing | The company | Beneficial owner | 2,939,200 Shares (L) | 0.64% |
| Chan Ming Him, Denny | The company | Beneficial owner | 1,000,000 Shares (L) | 0.22% |

Notes:

- The Letter "L" represents the director's interests in the shares and underlying shares of the company or its associated corporations.
- Of these Shares, 8,484,848 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 220,691,727 shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp 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.
- These Shares were held by Star Global International Limited, a company wholly owned by Trustcorp 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.
- 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.
- 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.

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, 2005, none of the directors and chief executive of the company had any interest and short position in shares, 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 has taken or was 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 those disclosed under the section headed "Directors' interest and short positions in shares, underlying shares and debentures of the company and its associated corporations" above and under the section headed "Share Options" below, at no time during the year under review or up to the date of this report were there any rights to acquire benefits by means of the acquisitions 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, 2005, the number of shares in respect of which options had been granted and yet to be exercised under the scheme was 3,860,000, representing approximately 1% 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, 2004 | Lapsed during the year | Granted during the year | Exercised during the year | Outstanding at 31st March, 2005 |
|------------------------|-----------------------|----------------------------------|--------------------------------|------------------------|-------------------------|---------------------------|---------------------------------|
| 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) | – |

SHARE OPTIONS— continued

| | Exercisable period | Exercise price per share HK\$ | Outstanding at 1st April, 2004 | Lapsed during the year | Granted during the year | Exercised during the year | Outstanding at 31st March, 2005 |
|------------------------|-----------------------|----------------------------------|--------------------------------|------------------------|-------------------------|---------------------------|---------------------------------|
| Kwok Cheuk Tim, Rockie | 21.2.2003 – 20.2.2005 | 0.17 | 2,000,000 | (2,000,000) | – | – | – |
| 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) | – |
| | | | <u>13,300,000</u> | <u>(3,000,000)</u> | <u>–</u> | <u>(10,300,000)</u> | <u>–</u> |
| Employees | 4.11.2004 – 3.5.2006 | 0.196 | – | – | 4,696,000 | (836,000) | 3,860,000 |
| | | | <u>13,300,000</u> | <u>(3,000,000)</u> | <u>4,696,000</u> | <u>(11,136,000)</u> | <u>3,860,000</u> |

The closing price of the company's shares immediately before the date of grant of option to employees on 4th May, 2004 was HK\$0.196.

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, 2005, the aggregate turnover attributable to the group's five largest customers accounted for approximately 50% of the group's total turnover and the sales attributable to the group's largest customer was approximately 22% 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 82% 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

So far as the directors are aware, as at 31st March, 2005, 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 | 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, 2005 |
|---|--|---------------------------------------|---|
| Matrix World Group Limited (Note 2) | 220,691,727 (L) | Beneficial owner | 47.90% |
| | 8,484,848 (L) | Interest of controlled corporation | 1.84% |
| Star Global International Limited (Note 3) | 68,417,400 (L) | Beneficial owner | 14.85% |
| Ocean Hope Group Limited (Note 4) | 24,709,650 (L) | Beneficial owner | 5.36% |
| Trustcorp Limited (Note 2 and 3) | 297,593,975 (L) | Trustee | 64.59% |

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 220,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp 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 2 and 3 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Trustcorp Limited was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
- Star Global International Limited is a company wholly owned by Trustcorp 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 2 and 3 of Part XV of the SFO, Trustcorp 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.

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

Save as disclosed above, as at 31st March, 2005, 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.

CORPORATE GOVERNANCE

The company has complied throughout the year ended 31st March, 2005 with the Code of Best Practice as set out in the then effective Appendix 14 to the 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 the then effective 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 three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Mr. Leung Tai Wai, David.

AUDITORS

Li, Tang, Chen & Co. will retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of Li, Tang, Chen & Co. as auditors of the company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

Chan Chung Yee, Hubert

Chairman

Hong Kong, 22nd July, 2005