

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 19.

No dividend was paid during the year. The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were all disposed of during the year as set out in note 10 to the financial statements. The loss arising on disposal amounting to HK\$3,217,000 has been charged to the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 11 to the financial statements.

PRINCIPAL PROPERTIES

Particulars of the Group's principal properties at 31st March, 2005 are set out on page 74.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors

Cheung Hon Kit (<i>Chairman</i>)	(appointed on 20th April, 2005)
Chan Fut Yan (<i>Managing Director</i>)	(appointed on 20th April, 2005)
Tse Cho Tseung	
Cheung Sze Man	(appointed on 20th May, 2004 and resigned on 24th May, 2005)
Keung Mei Wah, Jennifer	(resigned on 20th May, 2004)

Non-executive director

Lo Lin Shing, Simon	(appointed on 9th December, 2004 and re-designated as non-executive director on 20th April, 2005)
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Independent non-executive directors

Ho Hau Chong, Norman (<i>Deputy Chairman</i>)	(appointed on 9th December, 2004)
Wong Chi Keung, Alvin	
Kwok Ka Lap, Alva	
Zhang Shichen	(appointed on 15th October, 2004)

Pursuant to Bye-law 86(2) of the Company's Bye-laws, Mr. Cheung Hon Kit and Mr. Chan Fut Yan, executive directors, Mr. Lo Lin Shing, Simon, non-executive director, and Mr. Ho Hau Chong, Norman and Mr. Zhang Shichen, independent non-executive directors, being appointed by the Board during the year, shall retire at the annual general meeting ("AGM"). Pursuant to Bye-law 87(1) and the Code on Corporate Governance Practices, Mr. Tse Cho Tseung, an executive director and Mr. Kwok Ka Lap, Alva, an independent non-executive director will retire at the AGM by rotation. All retiring directors, being eligible, will offer themselves for re-election at the AGM except that Mr. Zhang Shichen has informed the Board that he does not offer himself for re-election at the AGM. Mr. Wong Chi Keung, Alvin continues in office for the ensuing year.

None of the directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2005, the following directors were interested, or were deemed to be interested in the following long and short positions in the shares and underlying shares of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company to be notified to the Company and the Stock Exchange:

Long position

Ordinary shares of HK\$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Tse Cho Tseung	Held by controlled corporation	28,558,196 (Note)	7.91

Note: These shares were beneficially owned by Lunghin Enterprise Inc. ("Lunghin"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Tse Cho Tseung, an executive director.

Save as disclosed above, as at 31st March, 2005, none of the directors and chief executives were interested, or were deemed to be interested in the long or short positions in the shares and underlying shares of the Company or any associated corporation (within the meaning of SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

There are two share option schemes adopted by the Company on 28th February, 1994 (the "1994 Scheme") and on 26th August, 2002 (the "2002 Scheme"). Pursuant to a resolution passed on 26th August, 2002, the 1994 Scheme was terminated.

Particulars of the Company's share option schemes are set out in note 27 to the financial statements.

DIRECTORS' REPORT

SHARE OPTIONS *(Cont'd)*

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price HK\$ (Note)	Number of share options of the Company		
			Outstanding at 1.4.2004	Exercised during the year	Outstanding at 31.3.2005
1994 Scheme					
Employees	19.6.1997	21.84	4,800	–	4,800
Employees	2.2.1998	2.00	2,000	–	2,000
Employees	17.11.1999	2.34	10,500	–	10,500
Employees	14.3.2000	6.60	10,000	–	10,000
			27,300	–	27,300
2002 Scheme					
Employees	7.1.2004	0.207	1,155,000	(1,155,000)	–
Total employees			1,182,300	(1,155,000)	27,300

Note: With effect from 15th April, 2003, every 20 issued and unissued shares of HK\$0.0005 each in the capital of the Company was consolidated into one new ordinary share of HK\$0.01 each in the share capital of the Company following a capital reorganisation as set out in note 26 to the financial statements. Accordingly, the exercise price and the number of share options were adjusted.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of directors of the Company in competing businesses as at 31st March, 2005 required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Lo Lin Shing, Simon	The Kwong Sang Hong International Limited and its subsidiaries	Property development, sales of properties and property leasing	As a director
	Besteam Limited and its subsidiaries	Property development and property investment	As a director
	New World Cyberbase Limited and its subsidiaries	Property investment	As an executive director
Ho Hau Chong, Norman	Miramar Hotel and Investment Company, Limited and its subsidiaries	Property investment, property development and sales	As a director

Save as disclosed above, none of the directors of the Company was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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. In addition, none of the directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No 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.

DIRECTORS' REPORT

CONNECTED TRANSACTION

Pursuant to the announcement on 20th April, 2005 and the circular dated 23rd May, 2005, on 8th April, 2005, the Company entered into seven subscription agreements with each of the subscribers. On 20th April, 2005, the Company entered into another two subscription agreements and a placing agreement with each of the subscribers and a placing agent, respectively. Each of the subscription agreements and the placing agreement are not inter-conditional on each other.

Of the nine subscribers, seven of them are fund subscribers who are funds managed by global asset management firms, with the remaining two subscribers being Loyal Concept Limited ("Loyal Concept") and Kopola Investment Company Limited ("Kopola"). Pursuant to the subscription agreements, the fund subscribers, Loyal Concept and Kopola, have in aggregate conditionally agreed to subscribe by cash for the HK\$956 million zero coupon convertible notes due 2010 proposed to be issued by the Company pursuant to the subscription agreements (the "Subscription Convertible Notes") with principal amounts of HK\$356 million, HK\$450 million and HK\$150 million, respectively (the "Subscription"). Loyal Concept is an indirect wholly-owned subsidiary of Hanny Holdings Limited ("Hanny"), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange. Loyal Concept and Hanny are not connected persons of the Company. Kopola is 50% held by Mr. Ho Hau Chong, Norman ("Mr. Ho"), the deputy chairman and independent non-executive director of the Company, and therefore an associate of Mr. Ho. As Mr. Ho is a connected person of the Company under Rule 14A.11 of the Listing Rules. Therefore, the subscription of the Subscription Convertible Notes by Kopola constitutes a connected transaction of the Company under the Listing Rules.

Pursuant to the placing agreement, the placing agent will procure, on a best effort basis, no less than six placees to subscribe by cash for the HK\$44 million zero coupon convertible notes due 2010 proposed to be issued by the Company (the "Placing Convertible Notes") with a principal amount of HK\$44 million (the "Placing"). None of the placees will be a subscriber.

Details of the connected transaction are set out in note 36(a) to the financial statements.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2005, the Company has been notified that the long position and short position of the following substantial shareholders or other persons in the shares and/or underlying shares of the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of Part XV of the SFO were as follows:

(a) Long position

Name of shareholder	Capacity	Number of issued shares held	Percentage of issued share capital of the Company
Lunghin	Beneficial owner	28,558,196 (Note)	7.91

Note: Mr. Tse Cho Tseung is interested in the 28,558,196 shares in the Company held by Lunghin by virtue of his 100% beneficial interest in the issued share capital of Lunghin. Details of the interest are disclosed under the section headed "Directors' and Chief Executives' Interests In Shares and Underlying Shares" above.

(b) Convertible notes

Name of holder	Capacity	Number of underlying shares (Note 1)
Visionary Profits Limited	Beneficial owner	30,952,380 (Note 2)
Han Yuanlin	Held by controlled corporation	30,952,380 (Note 2)
Playway Limited	Beneficial owner	47,619,047 (Note 3)
Suen Hung Fai	Held by controlled corporation	47,619,047 (Note 3)
Yu Chi Wai	Held by controlled corporation	47,619,047 (Note 3)
PSC Corporation Ltd.	Beneficial owner	47,619,047
Link Merit Limited	Beneficial owner	47,619,047 (Note 4)
Wang Yung Tyng	Held by controlled corporation	47,619,047 (Note 4)
Ng Po Chun, Kevin	Beneficial owner	23,809,523

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

(b) Convertible notes *(Cont'd)*

Notes:

1. The underlying shares represent the new shares to be issued upon full conversion of the 2% convertible notes due 2008 held by respective holders of the convertible notes at a conversion price of HK\$0.42 per share.
2. Mr. Han Yuanlin beneficially owns the entire interest in Visionary Profits Limited which beneficially owns HK\$13,000,000 2% convertible notes due 2008.
3. Each of Mr. Suen Hung Fai and Mr. Yu Chi Wai owns 50% interest in Playway Limited which beneficially owns HK\$20,000,000 2% convertible notes due 2008.
4. Mr. Wang Yung Tyng beneficially owns the entire interest in Link Merit Limited which beneficially owns HK\$20,000,000 2% convertible notes due 2008.

(c) Short position

Name of shareholder	Capacity	Number of underlying shares
PSC Corporation Ltd.	Beneficial owner	47,619,047

Save as disclosed above, as at 31st March, 2005, the Company had not been notified of any persons or corporations who had any long or short position in the shares and/or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2005, the aggregate amount of turnover attributable to the Group's five largest customers were less than 30% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 39% of the Group's total purchases and the purchase attributable to the Group's largest supplier was approximately 20% of the Group's total purchases.

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

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

During the year ended 31st March, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT

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 the existing shareholders.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31st March, 2005, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange which was in force prior to 1st January, 2005, except that the independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's Bye-laws.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules on the Stock Exchange (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2005.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 36 to the financial statements.

AUDITORS

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

On behalf of the Board

Cheung Hon Kit
Chairman

Hong Kong, 25th July, 2005