



Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 31 March 2005 of the Company and its subsidiaries (“the Group”).

Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 50 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 29 of the annual report.

The directors do not recommend the payment of a dividend for the year ended 31 March 2005.

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 14 to the financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 37 to the financial statements.

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

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 39 to the financial statements.

Distributable Reserves

At 31 March 2005, the Company’s reserves available for distribution, calculated in accordance with the provisions of Cayman Islands legislation, amounted to HK\$101,208,000 which represents the net balance of the share premium, contributed surplus and accumulated losses.



Report of the Directors

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 96. This summary does not form part of the audited financial statements.

Share Option Scheme

Details of the share option schemes of the Company are set out in note 38 to the financial statements.

As at the date of this report, the total number of securities available for issue under the existing share option scheme is 19,792,600 shares, representing 5.12% of the issued share capital of the Company.

The fair value of the options granted in the current year totalled approximately HK\$260,200. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

1. an expected volatility of 97.90%;
2. no annual dividend; and
3. the following Hong Kong Exchange Fund Note rates for the option category indicated and based on the estimated expected life indicated:

Option type	Exchange Fund Note Rate	Expected Life
2004A	3.17%	5 years
2004B	3.54%	5 years
2004C	2.70%	5 years
2005A	2.56%	5 years

No adjustment has been made in respect of options expected to be forfeited.

No charge is recognised in the income statement in respect of the value of options granted in the year.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.



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Share Option Scheme (Continued)

A summary of the movements during the year in the Company's share options is as follows:

Option type	Number of share options				
	Outstanding at 1 April 2004	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2005
Directors:					
Mr. Hon Ming Kong	2,000,000	–	–	–	2,000,000
	2,000,000	–	–	–	2,000,000
Mr. Hon Yik Kwong	2,000,000	–	(2,000,000)	–	–
Mr. Lee Yu Leung	2,000,000	–	–	–	2,000,000
	2,000,000	–	–	–	2,000,000
Sub-total	10,000,000	–	(2,000,000)	–	8,000,000

Note: Mr. Hon Yik Kwong resigned as an Executive Director of the Company on 26 November 2004.

Option type	Number of share options				
	Outstanding at 1 April 2004	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2005
Employees:					
	500,000	–	(500,000)	–	–
	2,000,000	–	–	–	2,000,000
	200,000	–	–	–	200,000
	6,600,000	–	(2,200,000)	–	4,400,000
	5,380,000	–	(1,750,000)	–	3,630,000
	–	500,000	–	–	500,000
Sub-total	14,680,000	500,000	(4,450,000)	–	10,730,000
Total	24,680,000	500,000	(6,450,000)	–	18,730,000



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Share Option Scheme (Continued)

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Closing price	Exercise
			immediately	price
			before/on the	per share
			date of grant	
			HK\$	HK\$
2002A	1 February 2002	1 September 2002 – 31 August 2007	1.520	1.4944
2003C	3 May 2002	3 November 2002 – 2 November 2007	4.530	4.6200
2003D	14 May 2002	14 November 2002 – 13 November 2007	4.950	4.9600
2004A	28 July 2003	28 July 2003 – 27 July 2008	1.350	1.3500
2004B	27 August 2003	27 August 2003 – 26 August 2008	1.170	1.3060
2004C	16 January 2004	16 January 2004 – 15 January 2009	0.840	0.8520
2005A	1 April 2004	1 April 2004 – 31 March 2009	0.700	0.7000



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Directors

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

Executive Directors:

Mr. Chan Tat Chee (<i>Chairman</i>)	(appointed on 26 November 2004)
Mr. Chen Jun Nong	(resigned on 6 May 2005)
Mr. Hon Ming Kong	(resigned as Chairman on 26 November 2004 but remained as an Executive Director)
Mr. Hon Yik Kwong	(resigned on 26 November 2004)
Mr. Lee Yu Leung	
Mr. Lin Hoi Kwong	(appointed on 7 December 2004)
Mr. Ting Pascal	(resigned on 22 July 2005)
Mr. Zhao Lin	(appointed on 5 July 2005)

Non-executive Director:

Mr. Li Yong, Alfa	(appointed on 13 May 2004)
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Independent Non-executive Directors:

Mr. Au Yeung Ka Cheung	(appointed on 24 March 2005)
Mr. Fork Siu Lun, Tommy	(resigned on 24 March 2005)
Mr. Loo Chung Keung, Steve	(appointed on 28 September 2004)
Mr. Tsoi Wai Kwong	
Mr. Wong Tik Tung	(appointed during the period from 23 January 2002 to 3 January 2003, re-appointed on 2 June 2005)

In accordance with Article 116 of the Company's Articles of Association and the Code of Corporate Governance which came into force on 1 January 2005, one-third of the directors are subject to retirement by rotation at the annual general meeting of the Company. Mr. Hon Ming Kong retires and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with Article 99 of the Company's Articles of Association, Mr. Chan Tat Chee, Mr. Lin Hoi Kwong, Mr. Zhao Lin, Mr. Loo Chung Keung, Steve, Mr. Au Yeung Ka Cheung, and Mr. Wong Tik Tung retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Independent Non-executive Directors are subject to retirement by rotation. The Company has received from each Independent Non-executive Director a confirmation of his independence pursuant to the new independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers the Independent Non-executive Directors to be independent.



Report of the Directors

Directors' and senior management's biographies

Biography details of the Company and the senior management of the Group are set out on pages 24 to 26 of the annual report.

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for one year, commencing on their respective appointment dates. These contracts will continue thereafter until terminated by either party with three months' prior notice in writing.

The non-executive director was appointed for a period of one year commencing on the appointment date or the date of renewal. The contract will continue thereafter until terminated by either party with three months prior notice in writing.

Each of the independent non-executive directors was appointed for a period of one year commencing on their respective appointment dates or the dates of renewal of the new contracts.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting 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.

Convertible Securities, Options, Warrants or Similar Rights

Other than those disclosed under "Share Option Scheme" above, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31 March 2005 and there has been no other issue or exercise of any convertible securities, options, warrants or similar rights during the year.



Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 March 2005, the Directors of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(a) Interests and short positions in the shares, underlying shares and debentures of the Company

(i) Long position in the shares of the Company

Name of Director	Notes	Number of ordinary shares beneficially held and nature of interest		Approximate percentage of total shareholding %
		Personal	Corporate	
Chan Tat Chee	(a)	–	72,900,000	15.71%
Hon Ming Kong	(a)	–	72,900,000	15.71%
Tsoi Wai Kwong	(b)	174,000	–	0.04%
Chen Jun Nong	(c)	120,000	–	0.03%
Au Yeung Ka Cheung	(d)	400,000	–	0.09%

Notes:

- (a) These shares are owned by Highworth Venture Limited, a company incorporated in the British Virgin Islands which is owned as to 50% by each of Mr. Chan Tat Chee and Mr. Hon Ming Kong.
- (b) Mr. Tsoi Wai Kwong was appointed as an Independent Non-executive Director of the Company on 22 September 2003.
- (c) Mr. Chen Jun Nong was appointed as an Executive Director of the Company during the period from 17 March 2004 to 6 May 2005.
- (d) Mr. Au Yeung Ka Cheung was appointed as an Independent Non-executive Director of the Company on 24 March 2005.



Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

(a) Interests and short positions in the shares, underlying shares and debentures of the Company (Continued)

(ii) *Long position in the underlying shares of the Company*

Name of Director	Date of grant of share options	Share options in the Company			Number of total underlying shares
		Exercise period of share options	Exercise price per share HK\$	Number of share options outstanding	
Hon Ming Kong	14.5.2002	14.11.2002 – 13.11.2007	4.960	2,000,000	4,000,000
	27.8.2003	27.8.2003 – 26.8.2008	1.306	2,000,000	
Hon Yik Kwong	28.7.2003	28.7.2003 – 27.7.2008	1.350	2,000,000	2,000,000
Lee Yu Leung	1.2.2002	1.9.2002 – 31.8.2007	1.494	2,000,000	4,000,000
	27.8.2003	27.8.2003 – 26.8.2008	1.306	2,000,000	

*Note: Mr. Hon Yik Kwong resigned as an Executive Director of the Company on 26 November 2004.

Other than as disclosed above and certain nominee shares in subsidiaries held by the Directors in trust for the Group, none of the Directors, or their associates, had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules or under Division 7 and 8 of Part XV of the SFO.



Report of the Directors

Arrangements to Purchase Shares or Debentures

Other than options granted under the Company's share option scheme mentioned above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the directors and the chief executive, their respective spouse or minor children (natural or adopted) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate under an arrangement to which the Company, its subsidiaries, its holding company, or subsidiaries of the holding company (i.e. fellow subsidiaries); is a party, and the exercise of such rights.

Directors' Interests in Contracts of Significance

Save as disclosed in note 48 to the financial statements, no 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.

Directors' Interests in Competing Business

None of the directors of the Company is interested in any business apart from the Group's business, which compete or is likely to compete either directly or indirectly, with business of the Group.

Connected Transactions

Details of the connected transactions are set out in note 48 to the financial statements.



Report of the Directors

Substantial Shareholders' Interests

As at 31 March 2005, the register of substantial shareholders' interests in shares and short positions maintained under section 336 of the SFO showed that the Company had been notified of the following interests, being 5% or more held in the shares and underlying shares of the Company.

Long position in the shares of the Company:

Name of shareholders	Number of ordinary shares held	Approximate percentage of total shareholding %
Highworth Venture Limited (Note a)	72,900,000	15.71%
AWH Fund Ltd. (Note b)	27,366,000	5.90%

Notes:

- (a) Highworth Venture Limited is a company beneficially wholly owned as to 50% by each of Mr. Chan Tat Chee and Mr. Hon Ming Kong, the Chairman and an Executive Director of the Company, and therefore both Mr. Chan Tat Chee and Mr. Hon Ming Kong is deemed to be interested in the 72,900,000 shares held by Highworth Venture Limited by virtue of SFO.
- (b) Based on the information provided by the Stock Exchange official website on 25 July 2005.

Save as disclosed above, as at 31 March 2005, the directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to disclose to the Company pursuant to Part XV of the SFO.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.



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Major Customers and Suppliers

During the year, the five largest customers of the Group accounted for about 70% of the turnover of the Group and the largest customer accounted for about 31% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 50% of its purchases for the year. Purchases from the largest supplier accounted for about 14% of its purchases.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group for the financial year ended 31 March 2005.

Retirement Benefits Schemes

The Group strictly complies with the Mandatory Provident Fund Schemes Ordinance in making mandatory contributions for its staff.

Purchase, Sale or Redemption of Securities

The Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities during the year.

Post Balance Sheet Events

Details of significant events which occurred after the balance sheet date are set out in note 49 to the financial statements.

Corporate Governance

The Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in force prior to 1 January 2005, which remains applicable for accounting periods commencing before 1 January 2005 under the transitional arrangements.

Pre-emptive Rights

There are no provisions 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.



Report of the Directors

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (“Model Code”) as the Company’s code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company’s directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the four independent non-executive directors of the Company.

Auditors

Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Messrs. Deloitte Touche Tohmatsu with effect from 25 November 2004. Save as aforesaid, there had been no other changes of the Company’s auditors in the past three financial years.

A resolution for the appointment of HLB Hodgson Impey Cheng as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Tat Chee

CHAIRMAN

Hong Kong, 25 July 2005