

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Statement of Accounts for the financial year ended 31 March 2005.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activities of the Company are investment holding and provision of management services to Group companies and those of its principal subsidiaries are set out on page 95.

An analysis of the principal activities and geographical locations of trading operations of the Company and its subsidiaries during the financial year is set out in Note 2 to the Accounts on pages 76 and 77.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the financial year ended 31 March 2005 are set out in the Consolidated Profit and Loss Account on page 62.

Movements in reserves during the financial year are set out in Note 18 to the Accounts on pages 89 to 91.

DIVIDENDS

The Directors have recommended for adoption at the Annual General Meeting to be held on Monday, 29 August 2005 the payment on 6 September 2005 to Shareholders on record as at 29 August 2005 of a final dividend of 2.0 cents per share in respect of the financial year ended 31 March 2005. This recommendation has been disclosed in the Accounts.

SHARE CAPITAL

During the financial year, upon exercise by two grantees of options granted under the Company's Share Option Scheme, a total of 16,000,000 ordinary shares of HK\$0.10 each of the Company, credited as fully paid, were allotted and issued by the Company at a subscription price of HK\$0.186 per share.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 10 to the Accounts on pages 84 and 85.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all bank loans, overdrafts and/or other borrowings (if any) of the Group as at 31 March 2005, all being borrowings by subsidiaries of the Company and repayable on demand or within a period not exceeding one year, are set out in Note 16 to the Accounts on page 87.

DIRECTORS

The Directors of the Company during the financial year were Mr. Walter K. W. Ma, Mrs. Joyce E. Ma, Ms. Adrienne M. Ma, Mr. Michael E. Brillhart, Mr. Antonio Chan (appointed on 30 September 2004), Mr. Michael C. Kalyk, Ms. Doreen Y. F. Lee, Mr. Eric F. C. Li, Mr. Gonzaga W. J. Li, Mr. Eric K. K. Lo, Ms. Yvette T. Ma, Mr. Stephen T. H. Ng, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui.

Subsequent to the year end, Mr. Michael C. Kalyk resigned from the Board and Mr. Jeffrey L. Flowers was appointed as a Director of the Company, both with effect from 30 June 2005.

In accordance with the Company's bye-laws, all Directors will retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, any subsidiary or holding company of the Company or any subsidiary of the Company's holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, any of its subsidiaries or its holding company or any subsidiary of that holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception that there existed during a certain period within the financial year certain outstanding options to subscribe for ordinary shares of the Company previously granted under a share option scheme of the Company (the "Share Option Scheme") to, *inter alia*, certain executives/employees of the Company or its subsidiaries, one of whom was a Director of the Company during the financial year.

Under the rules of the Share Option Scheme, subject to any such restrictions or alterations as are prescribed or provided under the Listing Rules of the Stock Exchange from time to time in force, shares of the Company may be issued at such prices (not being less than 80% of the Company's average closing price on the Stock Exchange for the five trading days immediately preceding the date of offer of the options for the Share Option Scheme) and the relevant options may be exercisable during such periods (not to exceed the expiration of five years from the date of offer) as determined by the Board of Directors of the Company. During the financial year, certain shares of the Company were allotted and issued to Ms. Adrienne Ma, a Director of the Company, on her exercise of options under the Share Option Scheme. Particulars and the effect of the Share Option Scheme are set out in the "Disclosure of Further Corporate Information" on pages 19 to 21 in the paragraphs headed "(1) Summary of the Share Option Scheme".

AUDITORS

The Accounts now presented have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, 30 June 2005