

The board of directors (the “Board”) have pleasure in presenting their report and the audited financial statements for the year ended March 31, 2004.

### **Principal activities**

The Company and its subsidiaries (the “Group”) are investments holding companies.

### **Segmental information**

The Group's turnover and contribution to operating results were all derived from investments in listed and unlisted companies in Hong Kong.

### **Subsidiaries**

Details of the Company's subsidiaries at March 31, 2004 are set out in note (12) to the financial statements.

### **Results and appropriations**

The results of the Group for the year ended March 31, 2004 are set out in the consolidated income statement on page 16.

The Board have resolved not to recommend a payment of final dividend.

### **Share capital**

Details of the movements in the Company's share capital during the year are set out in note (19) to the financial statements.

## 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 below. This summary is not part of the audited financial statements.

### RESULTS

	<b>1/4/2003- 31/3/2004 HK\$'000</b>	<b>1/4/2002- 31/3/2003 HK\$'000</b>	<b>1/4/2001- 31/3/2002 HK\$'000</b>	<b>1/4/2000- 31/3/2001 HK\$'000</b>	<b>8/6/1999- 31/3/2000 HK\$'000</b>
Turnover	<u>56,604</u>	<u>8,180</u>	<u>27,800</u>	<u>36,380</u>	<u>29,595</u>
Profit (Loss) before taxation	<u>11,590</u>	<u>(18,218)</u>	<u>14,055</u>	<u>(25,992)</u>	<u>17,384</u>
Taxation	<u>–</u>	<u>200</u>	<u>–</u>	<u>820</u>	<u>(2,642)</u>
Net profit (loss) attributable to shareholders	<u>11,590</u>	<u>(18,018)</u>	<u>14,055</u>	<u>(25,172)</u>	<u>14,742</u>

### ASSETS AND LIABILITIES

	<b>March 31</b>				
	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>	<b>2002 HK\$'000</b>	<b>2001 HK\$'000</b>	<b>2000 HK\$'000</b>
Total assets	<u>102,290</u>	<u>88,971</u>	<u>101,216</u>	<u>87,149</u>	<u>117,667</u>
Total liabilities	<u>(1,932)</u>	<u>(203)</u>	<u>(317)</u>	<u>(305)</u>	<u>(6,691)</u>
Net assets	<u>100,358</u>	<u>88,768</u>	<u>100,899</u>	<u>86,844</u>	<u>110,976</u>

*Notes:* The Company was incorporated in the Cayman Islands on November 4, 1999 and became the holding Company of the companies comprising the Group as a result of the group reorganisation on December 22, 1999. The financial results of the Group for the period from June 8, 1999 (date of incorporation of Super Idea International Limited, a then wholly-owned subsidiary of the Company after the group reorganisation) to March 31, 2000 were prepared on the basis of merger accounting as if the Group structure had been in existence throughout the period presented.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note (20) to the financial statements.

The Company's reserves available for distribution represent the share premium, contributed surplus and retained profits under the Companies Law of the Cayman Islands. The share premium of the Company is available for paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium, contributed surplus and retained profits of the Company which in aggregate amounted to approximately HK\$96,797,000 (2003: HK\$93,542,000) as at March 31, 2004.

## Repurchase, sale and redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the year.

## Directors

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

### EXECUTIVE DIRECTORS

Mr. Li Kwok Cheung, George

Mr. Chiu Sui Keung *(resigned on July 7, 2004)*

Ms. Lin Wai Yan *(resigned on July 7, 2004)*

Mr. Cheng Wai Lun, Andrew

### NON-EXECUTIVE DIRECTOR

Mr. Kwok Hong Yee, Jesse

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Wai Kwong, David

Dr. Lewis Hung Fung

In accordance with Article 157 of the Company's Articles of Association, Mr. Cheng Wai Lun, Andrew, Mr. Wong Wai Kwong, David and Mr. Kwok Hong Yee, Jesse shall retire by rotation from office and, being eligible, except Mr. Kwok Hong Yee, Jesse, offer themselves for re-election. All other directors continue in office.

The term of office of each of the independent non-executive directors lasts until his retirement by rotation in accordance with the Company's Articles of Association.

The Company received confirmation of independence in respect of the year ended March 31, 2004 from each of the independent non-executive directors pursuant to rule 3.13 of the Revised Listing Rules. Up to and as at the date of this report, the Company still considers the independent non-executive directors to be independent.

### Directors' service contracts

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

### Directors' interests in contracts

In the opinion of the Board, there were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any 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' and chief executives' Interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation

As at March 31, 2004, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of director	Number of shares				Percentage of issued Total share capital
	Person interests	Family interests	Corporate interests	Other interests	
Ordinary Shares of HK\$0.01each in the Company					
Cheng Wai Lun, Andrew (Note)	–	–	340,000,000	–	340,000,000 32.08%

*Note:* Mr. Cheng Wai Lun, Andrew is one of the discretionary objects of a trust which assets include interests in the entire issued share capital of Fung Fai Growth Limited. Fung Fai Growth Limited holds 340,000,000 shares of the Company.

At no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangements to enable the directors or executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporations.

Save as disclosed above, as at March 31, 2004, none of the directors and chief executives of the Company has, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.

### Substantial shareholder's interests and short positions in the shares, underlying shares of the company

The register of substantial shareholders maintained under Section 336 of the SFO shows that, as at March 31, 2004, the Company had been notified of the following substantial shareholders' interests and short position, being 5% or more of the Company's issued share capital.

Name of shareholder	Number of shares held	Approximate percentage of the total number of shares in issued
<b>Ordinary shares of HK\$0.01 each in the Company</b>		
Fung Fai Growth Limited ( <i>Note (a)</i> )	340,000,000	32.08%
Kingswell Holdings Group Limited ( <i>Note (b)</i> )	192,000,000	18.12%

*Notes:*

- (a) The entire issued share capital of Fung Fai Growth Limited is owned by a trust of which the discretionary objects are family members of Mr. Cheng Kai Ming, Charles, including a director of the Company, Mr. Cheng Wai Lun, Andrew.
- (b) The entire issued share capital of Kingswell Holdings Group Limited is beneficially owned by Mr. Janusz Mieczyslaw Stempnowski.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at March 31, 2004.

### Connected transactions

Significant related party transactions entered by the Group during the year ended March 31, 2004 which also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), are disclosed in note (23) to the financial statements.

The investment manager of the Company is regarded as a connected person of the Company under Chapter 21 of the Listing Rules. Accordingly, the investment management agreement constitutes a connected transaction of the Company. The management fee paid during the year amounted to HK\$1,471,517.

The Board considers the connected transactions as disclosed in note (23) have been conducted in the ordinary and usual course of business of the Group on normal commercial terms and did not exceed the cap amount as prescribed in the waiver granted by the Stock Exchange. These connected transactions had been reviewed by the independent non-executive directors and the auditors of the Company and received approval from the Company’s board of directors.

### Management contracts

Details of significant management contracts in relation to the Company’s business are included in note (23)(a) to the financial statements.

Save as disclosed above, no other 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.

### Pre-emptive rights

There are no provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company’s Memorandum and Articles of Association and the Companies Laws of the Cayman Islands.

### Audit Committee

The Company has established an audit committee according to “A Guide for The Formation of an Audit Committee” published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee of the Group has 3 members, consists of one non-executive director, namely Mr. Kwok Hong Yee, Jesse and two independent non-executive directors, namely Mr. Wong Wai Kwong, David and Dr. Lewis Hung Fung.

### Corporate governance

The Company has complied throughout the year ended March 31, 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provision of the Company's bye-laws.

### Sufficiency of public float

According to the information that is publicly available to the Company and within the knowledge of the Board, the percentage of the Company's share which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

### Auditors

Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, resigned as joint auditors of the Company on April 3, 2001 while Messrs. Chu and Chu, Certified Public Accountants, continued to act as auditors of the Company from that date.

Apart from the foregoing, there were no other changes in auditors of the Company in any of the preceding three years.

Messrs. Chu and Chu, Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

**Li Kwok Cheung, George**

*Executive Director*

Hong Kong, July 7, 2004