

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries consist of investment holding, securities dealing and broking, financing, general import and export trading and property development and investment. There were no significant changes in the nature of the Group's activities during the year.

RESULTS AND DIVIDEND IN SPECIE

The Group's loss for the year ended 31 March 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 17 to 64.

During the year ended 31 March 2004, the Board had approved a special dividend which was satisfied by the distribution to shareholders of one share of each of Inworld Group Limited, Riverhill Holdings Limited and Rainbow International Holdings Limited respectively for every 50 shares of HK\$0.01 each of the Company held on 26 September 2003 (the "Distribution Shares"). The Distribution Shares were dispatched to shareholders on 1 December 2003.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 13 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 66.

PROPERTY HELD FOR REDEVELOPMENT

Details of the property held for redevelopment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital are set out in note 28 to the financial statements.

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 existing shareholders.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2004, the Company's reserves available for distribution were HK\$87,582,000. In addition, under the laws of Bermuda, the Company's share premium account, in the amount of HK\$35,831,000, may be distributed in the form of fully paid bonus shares.

FINANCIAL SUMMARY

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 65. The summary does not form part of the audited financial statements.

DIRECTORS

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

Executive directors:

| | |
|--------------------------|-----------------------------------|
| Mr. Johnny Wing Fai Tam | <i>(appointed on 1 July 2003)</i> |
| Ms. Yvonne Han Yi Yeung | |
| Ms. Miranda Chi Mei Chan | |
| Mr. Suet Ming Ching | |
| Mr. Steven Wang Tai Li | <i>(resigned on 1 July 2003)</i> |
| Mr. Erik Yuk Wo Cheng | <i>(resigned on 18 June 2003)</i> |

Independent non-executive directors:

| | |
|---------------------------|-------------------------------------|
| Mr. David Man San Lim | |
| Mr. Edward Shun Kee Yeung | <i>(appointed on 15 April 2003)</i> |

In accordance with the Company's bye-laws 99, Ms. Miranda Chi Mei Chan and Ms. Yvonne Han Yi Yeung shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option scheme disclosures in note 30 to the financial statements at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, 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.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2004, the interests and short positions of the directors of the Company (the "Directors") in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

| Name of Directors | Number of ordinary shares of HK\$0.01 each held and nature of interest | | Total |
|--|---|-----------------------|-------------|
| | Family interests | Personal interests | |
| Ms. Yvonne Han Yi Yeung ("Ms. Yeung") | 370,395,967 (Note) | 30,000,000 | 400,395,967 |
| Ms. Miranda Chi Mei Chan | – | 39,288 | 39,288 |

Note:

Mr. Kenneth Chi Shing Cheung ("Mr. Cheung") is the sole shareholder of K.Y. Limited, which is the beneficial owner of 60,400,000 shares. In addition, Mr. Cheung is deemed to be interested in another 10,000,000 shares indirectly held by K.Y. Limited through its wholly-owned subsidiary, K.C. (Investment) Limited. 400,000 shares held by K.Y. Limited have been pledged to C.A. Pacific Finance Limited, which is in liquidation. Mr. Cheung cannot ascertain whether the charged shares are still registered in the name of the pledgee and subject to their right of redemption.

Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 370,395,967 shares of the Company that Mr. Cheung is beneficially interested.

DIRECTORS' INTERESTS IN SHARES (Continued)

As at 31 March 2004, no short positions were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept under Section 352 of the SFO.

Save as disclosed above, as at 31 March 2004, none of the directors or Chief Executive of the Company had any interest or short position whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, as at 31 March 2004, the Company had been notified of the following interests in the Company:

| | Number of shares | Percentage |
|--|-------------------------|-------------------|
| Mr. Cheung (Note 1) | 400,395,967 | 21.40% |
| Ms. Yeung (Note 2) | 400,395,967 | 21.40% |
| Mr. Lin Wen (林文先生) ("Mr. Lin") (Note 3) | 165,050,000 | 8.82% |
| Mr. Sun Jin Lin (孫進林先生) ("Mr. Sun") (Note 3) | 150,800,000 | 8.06% |

Notes:

1. Please refer to the note under the heading "Directors' Interest in Securities" for details of the beneficial interests of Mr. Cheung in the shares of the Company. Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 30,000,000 shares of the Company beneficially interested by Ms. Yeung.
2. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 370,395,967 shares beneficially interested by Mr. Cheung.
3. Mr. Lin and Mr. Sun notified the Company of the number of shares they held in the Company on 20 August 2003. As the Company did not receive any update information in respect of their interests in it thereafter, the directors cannot assert the accuracy of their shareholdings as at 31 March 2004. The Company has written to Mr. Lin and Mr. Sun to inquire their actual shareholdings in the Company on 14 June 2004, however the Company did not receive any correspondence up to the date of this annual report.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's single largest and five largest customers combined accounted for 22% and 54%, respectively, of the Group's total sales, whereas purchases from the Group's single largest and five largest suppliers combined accounted for 23% and 61%, respectively, of the Group's total purchases.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the financial year ended 31 March 2004 save that the independent non-executive directors are not appointed on specific terms as required by paragraph 7 of the Code but subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

Li, Lai & Cheung were appointed as the auditors of the Company for the financial year ended 31 March 2004 upon the retirement of Ernst & Young, who acted as the auditors of the Company for the financial years ended 31 March 2002 and 2003.

Li, Lai & Cheung will retire at the forthcoming annual general meeting. A resolution will be proposed to appoint auditors and to authorise the board of directors to fix their remuneration.

On behalf of the Board

Styland Holdings Limited

Johnny Wing Fai Tam

Managing Director

Hong Kong, 21 July 2004