

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

Principal Activities

The Company acts as an investment holding company.

The principal activities of the Company's principal subsidiaries and associate are set out in note 27 and note 15 to the financial statements respectively.

Results and Dividends

The results of the Group for the year ended 31 March 2004 are set out in the consolidated income statement on page 15.

An interim dividend of 2.0 Hong Kong cents per share was declared and paid to the shareholders during the year. A final dividend of 4.0 Hong Kong cents per share being proposed by the directors is subject to approval by the shareholders in the forthcoming annual general meeting. The total dividends declared in respect of the year are set out in note 9 to the financial statements.

Reserves

Movements in the reserve of the Group and the Company during the year are set out on page 18 and note 23 to the financial statements respectively.

Property, Plant and Equipment

During the year, the Group incurred approximately HK\$8 million on the acquisition of property, plant and equipment of which the amount was incurred on the acquisition of furniture, fixtures and equipment. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

Directors and Directors' Service Contracts

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

Executive directors:

Yeung Ming Biu (*Chairman*)

Yeung Him Kit, Dennis (*Managing Director*)

Chan Che Kwong, William (*Senior Director*)

Fung Kwong Yiu

Yeung Man Yee, Shirley

Lam Hing Lun, Alain

(appointed on 23 April 2003)

Choi Kwok Yum

(appointed on 23 April 2003)

Independent non-executive directors:

Sun Ping Hsu, Samson, Dr.

Li Sau Hung, Eddy, Dr.

Directors and Directors' Service Contracts (Continued)

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Madam Yeung Man yee, Shirley and Li Sau Hung, Eddy, Dr. retire and, being eligible, offer themselves for re-election.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Bye-laws.

None of the directors being 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.

Directors' Interests and Short Positions in Securities

As at 31 March 2004, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Name of director	Number of ordinary shares held				Total number of shares	Percentage of issued share capital of the Company
	Personal interest	Family interest	Corporate interest	Other interest		
Yeung Ming Bui	10,787,260	6,000,000	96,800,000 <i>Note (a)</i>	—	113,587,260	40.7%
Yeung Him Kit, Dennis	—	—	—	5,614,400 <i>Note (b)</i>	5,614,400	2.0%
Chan Che Kwong, William	622,515	—	—	9,709,436 <i>Note (c)</i>	10,331,951	3.8%
Fung Kwong Yiu	1,803,152	—	—	1,161,600 <i>Note (d)</i>	2,964,572	1.1%
Yeung Man Yee, Shirley	—	167,547	—	3,194,400 <i>Note (e)</i>	3,361,947	1.2%
Sun Ping Hsu, Samson, Dr.	—	—	2,000,000 <i>Note (f)</i>	—	2,000,000	0.79%

Directors' Interests and Short Positions in Securities (Continued)

Notes:

- (a) Mr. Yeung Ming Biu and his wife, Madam Au Po Kee, are the beneficial owners of 45% and 22.5% respectively of the issued share capital of Realtower Holdings Limited. Realtower Holdings Limited is the beneficial owner of 55% of the issued share capital of Furama Investments Limited, which is the beneficial owner of 80% of the issued share capital of Datsun Holdings Limited. Datsun Holdings Limited is the beneficial owner of 96,800,000 shares in the Company.
- (b) Mr. Yeung Him Kit, Dennis is the beneficial owner of 10% and 7% of the issued share capital of Realtower Holdings Limited and Real Champ Limited. Real Champ Limited is the beneficial owner of 20% of the issued share capital of Datsun Holdings Limited.
- (c) Mr. Chan Che Kwong, William is the beneficial owner of 10% of the issued share capital of Furama Investments Limited and 10% of the issued share capital of Y.H. Chan Limited which is the beneficial owner of 25% of the issued share capital of Furama Investments Limited. Y.H. Chan Limited also directly holds 294,365 shares in the Company.
- (d) Mr. Fung Kwong Yiu is the beneficial owner of 6% of the issued share capital of Real Champ Limited.
- (e) Madam Yeung Man Yee, Shirley is the beneficial owner of 7.5% of the issued share capital of Realtower Holdings Limited.
- (f) Dr. Sun Ping Hsu, Samson and his family members are beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 2,000,000 shares in the Company.

Save as disclosed above, the paragraph "Share option scheme and directors' rights to acquire shares or debentures", and other than certain nominee shares in subsidiaries held by a director in trust for the Company, none of the directors of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme and Directors' Rights to Acquire Shares or Debentures

(a) Old share option scheme

Pursuant to the share option scheme adopted at a special general meeting of the Company held on 20 September 1993 (the "Old Share Option Scheme"), the directors of the Company may grant options as incentives to directors or employees of the Company or its subsidiaries to subscribe for shares in the Company within a period of ten years commencing from 20 September 1993. The Old Share Option Scheme expired on 20 September 2003.

No option was granted, exercised or lapsed during the year and there was no outstanding share option as at 31 March 2003 and 31 March 2004.

Pursuant to an ordinary resolution passed in the Company's special general meeting held on 17 October 2003, the Company approved and adopted a New Share Option Scheme.

Share Option Scheme and Directors' Rights to Acquire Shares or Debentures (Continued)**(b) New Share Option Scheme**

The options of the New Share Option Scheme may be granted to any director of the Company, employee, consultant, customer, supplier or advisor of the Group or a company in which the Group holds an interest or a subsidiary of such company (the "Eligible Persons"), the trustee of the Eligible Persons or a company beneficially owned by the Eligible Person. The purpose of the New Share Option Scheme is to attract and retain quality personnel and Eligible Persons to provide incentive to them to contribute to the business and operation of the Group. The total number of shares available for issue under the New Share Option Scheme is 27,525,320 shares, representing 10% of the issued share capital of the Company at 21 July 2004. No Eligible Person shall be granted an Option in any 12-month period for such number of shares (issued and to be issued) which in aggregate would exceed 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The exercisable period is determined by the directors, which shall not be more than 10 years from the date of grant. There is no general applicable minimum period for which the options must be held before it can be exercised. An offer of the grant of an option shall be open for acceptance in writing or by telex received by the secretary of the Company for a period of 21 days from the Eligible Person without paying any consideration upon the acceptance of the offer. The exercise price per share payable on the exercise of an option equal to the highest of:

- (a) the average closing price per share as quoted in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant or (where applicable) such price as from time to time adjusted pursuant to the New Share Option Scheme;
- (b) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and
- (c) the nominal value of the share.

The New Share Option Scheme is valid for a period of ten years commencing on the adoption date on 3 November 2003.

Share Option Scheme and Directors' Rights to Acquire Shares or Debentures (Continued)

(b) New Share Option Scheme (Continued)

A summary of the share options granted under the Company's share option scheme, and the average closing price (the "Average closing price") of the Company's shares immediately before the date of grant are as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares	
				Granted during the year and outstanding at 31.3.2004	Average closing price immediately before the date of grant HK\$
Yeung Ming Biu	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000	1.69
Yeung Him Kit, Dennis	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000	1.69
Chan Che Kwong, William	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000	1.69
Fung Kwong Yiu	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000	1.69
Yeung Man Yee, Shirley	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000	1.69
Lam Hing Lun, Alain	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000	1.69
Choi Kwok Yum	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000	1.69
				18,900,000	

The director of the Company considered that it is inappropriate to state the value of the options granted under the Company's share option scheme due to the following reasons:

- (i) the calculation of the value of the options will be based on a number of undetermined crucial variables such as the exercise price payable for the shares in the Company, the number of options to be granted under the scheme during its duration, the exercisable period, interest rate, expected volatility and other relevant variables. In particular, the duration of the scheme will make these volatile variables very difficult to ascertain with accuracy;
- (ii) the generally accepted pricing models of options normally value options which are transferable but the options granted to a grantee under the scheme are personal to the grantee and are non-transferable and non-assignable and hence calculation of the value of the options granted under the scheme using such pricing models may not be appropriate; and
- (iii) the directors of the Company are of the view that the calculation on speculative assumptions would not be meaningful and would be misleading to the shareholders of the Company.

Share Option Scheme and Directors' Rights to Acquire Shares or Debentures (Continued)

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 any director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests and Short Positions of Substantial Shareholders

As at 31 March 2004, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being a director of the Company) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company.

Long position in shares of the Company

Name of shareholder	Number of shares held	Percentage of issued share capital of the Company
Datsun Holdings Limited	96,800,000	35.2%
Furama Investments Limited	96,800,000	35.2%
Realtower Holdings Limited	96,800,000	35.2%

Realtower Holdings Limited holds 55% of the issued share capital of Furama Investments Limited which holds 80% of the issued share capital of Datsun Holdings Limited. Accordingly, both Realtower Holdings Limited and Furama Investments Limited are deemed under the SFO to be interested in the 96,800,000 shares in the Company which are held by Datsun Holdings Limited.

Messrs. Yeung Ming Bui, Yeung Him Kit, Dennis, Chan Che Kwong, William and Fung Kwong Yiu, Madam Yeung Man Yee, Shirley and Madam Au Po Kee (wife of Mr. Yeung Ming Bui) are deemed by the SFO to be interested in the shares of the Company beneficially owned by Datsun Holdings Limited in the manner described under the above paragraph headed "Directors' interests and short positions in securities".

Save as disclosed above, at 31 March 2004, the Company had not been notified of any other interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Part XV of the SFO.

Directors' Interests in Contracts

There were 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.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Donations

During the year, the Group made charitable and other donations totalling HK\$11,000.

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.

Corporate Governance

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Auditors

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

On behalf of the Board
Yeung Ming Bui
Chairman

Hong Kong, 21 July 2004