

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the principal activities of the Company and its subsidiaries during the year.

SEGMENT INFORMATION

No business segment information (primary segment information) has been disclosed for the years presented in the financial statements as the Group is operating in a single business segment which is property development and investment. Substantially all of the Group's operations are located in the PRC and therefore no geographical segment information has been disclosed for the years presented in the financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the annual report on pages 16 to 55.

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 March 2004.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from financial statements and reclassified as appropriate, is set out on pages 56 to 57 in the annual report. This summary does not form part of the audited financial statements.

PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in plant and equipment and investment properties of the Group during the year are set out in notes 16 and 15, respectively to the financial statements. Further details of the Group's investment properties are set out on page 58 in the annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in note 24 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 the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors' Report

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

Under the Companies Laws of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. The Company's reserves available for distribution comprise the share premium account and retained profits. As at 31 March 2004, in the opinion of the directors, no reserve is available for distribution to shareholders. As at 31 March 2003, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$12,693,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 32% of the total sales for the year and sales to the largest customer included therein amounted to 7%. Purchases from the Group's five largest suppliers accounted for 70% of the total purchases for the year and purchases from the largest suppliers included therein amounted to 24%.

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 or suppliers.

DIRECTORS

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

Executive directors:

Mr. Leung Ngai Man

Mr. Yeung Kit

Independent non-executive directors:

Mr. Chan Sing Fai

Mr. Cai Wei Lun

(appointed on 29 June 2004)

Mr. Lau Kam Wah, Andrew

(resigned on 1 July 2004)

In accordance with the provisions of the Company's Articles of Association, Mr. Yeung Kit and Mr. Cai Wei Lun shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on page 6 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except Mr. Yeung Kit, has entered into a service contract with the Company for an initial term of two years commencing 1 April 2002, which will continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

Apart from the foregoing, no directors 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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2004, the interests and short positions of the directors of the Company ("Directors") and chief executive of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part

XV of the SFO (including interests and short positions which the directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follow:—

Number of ordinary shares held as corporate interest	% of total issued shares
--	-----------------------------

Executive directors:

Mr. Leung Ngai Man (Mr. Leung)	600,000,000	75%
-----------------------------------	-------------	-----

Note: The above shares are held by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Leung.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, as at 31 March 2004, none of the Director or chief executive of the Company had any interest or short position in the shares 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 by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' interests in shares" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, 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.

SHARE OPTIONS SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 May 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of the shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

No options have been granted and/or exercised since the adoption of the Scheme.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2004, the Company was not notified by any persons who had an interest of 5% or more in the issued share capital of the Company, which is required to be recorded under section 336 of the Securities and Futures Ordinance.

Name of shareholder	Number of shares	Capacity and nature of interest	Approximate percentage of interests
Climax Park Limited	600,000,000 ordinary shares of HK\$0.01 each of the Company	Beneficial owner	75%
Leung Ngai Man	600,000,000 ordinary shares of HK\$0.01 each of the Company	Interest of a controlled corporation (Note 1)	75%
Delta Fortune Limited	500,000,000 ordinary shares of HK\$0.01 each of the Company	Person having a security interest in shares	62.50%
Cheung Wo Sin	500,000,000 ordinary shares of HK\$0.01 each of the Company	Interest of a controlled corporation (Note 2)	62.50%
Yu Yan	55,740,000 ordinary shares of HK\$0.01 each of the Company	Beneficial owner	6.97%

Notes:

- These 600,000,000 shares were held and beneficially owned by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Leung Ngai Man. Under the SFO, Leung Ngai Man is deemed to be interested in these 600,000,000 shares.
- Delta Fortune Limited, a company incorporated in the British Virgin Islands and wholly owned by Cheung Wo Sin, had a security interest in these 500,000,000 shares. Under the SFO, Cheung Wo Sin is deemed to be interested in these 500,000,000 shares.

STAFF RETIREMENT BENEFITS

Details of staff retirement benefits are set out in note 13 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 31 to the financial statements.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Directors' Report

RELATED PARTY TRANSACTIONS

No related party transactions was entered into during the year.

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

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

MATERIAL ACQUISITIONS OR DISPOSALS

Saved as disclosed in notes 17 and 27 to the financial statements, there was no material acquisitions or disposals of subsidiaries or associates in the course of the financial year.

POST BALANCE SHEET EVENTS

No significant post balance sheet events was noted.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established in accordance with the requirements of the Code and comprises the two independent non-executive directors of the Company. The annual report for the year ended 31 March 2004 has been reviewed by the Committee which has been established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were auditors of the Company for the period ended 31 March 2002. Messrs. HLB Hodgson Impey Cheng were auditors of the Company for the year ended 31 March 2003 and 2004.

The accompanying accounts were audited by Messrs. HLB Hodgson Impey Cheng. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Leung Ngai Man
Chairman

Hong Kong, 28 July 2004