

Directors' Report

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st March, 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2004 are set out in note 17 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 71.

DIVIDEND

The Directors do not recommend the payment of a final dividend.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

The Company does not have any distributable reserves.

FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 72.

FIXED ASSETS

Details of the movements in fixed assets are set out in note 16 to the financial statements.

PROPERTIES

Particulars regarding properties held by the Group at 31st March, 2004 are set out on pages 73 and 74.

SHARE CAPITAL AND SHARE OPTIONS

Details in the share capital and share options of the Company during the year are set out in notes 24 and 25 to the financial statements respectively.

CONVERTIBLE NOTES

Details of convertible notes are set out in note 23 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:

Leung Chung Ping, Owen (*Chairman*)
Sum Pui Ying, Adrian (*Managing Director*)
Wong Wang Chan

Non-executive director:

Leung Miu King, Marina

Independent non-executive directors:

Sit Kien Ping, Peter
Lai Si Ming

In accordance with Clauses 85 and 86 of the Company's Bye-laws, Mr. Sum Pui Ying, Adrian retires, and being eligible, offers himself for re-election.

The independent non-executive directors are subject to retirement by rotation in accordance with the above Bye-laws.

Neither of the directors proposed for re-election has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2004, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

Name of director	Number of shares held				Number of underlying ordinary shares held under equity derivatives <i>Note</i>	Total	Approximately percentage of aggregate interests to total issued share capital %
	Personal interests	Family interests	Corporate interests	Other interests			
Leung Chung Ping, Owen	20,000,000	–	–	–	3,000,000	23,000,000	6.89
Sum Pui Ying, Adrian	–	–	–	–	3,000,000	3,000,000	0.89
Wong Wang Chan	–	–	–	–	–	–	–
Leung Miu King, Marina	–	–	–	–	–	–	–
Sit Kien Ping, Peter	–	–	–	–	–	–	–
Lai Si Ming	–	–	–	–	–	–	–

Note: This represents interests in option held by the relevant directors as beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option granted by the Company under the 1997 Share Option Scheme, details of which are set out in the note 25 to the financial statements.

All the interests, held by the relevant directors as beneficial owner, disclosed above represent long positions in the shares of the Company.

Saved as disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st March, 2004.

DIRECTORS' INTERESTS IN CONTRACTS

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31st March, 2004 the number of outstanding options granted by the Company under the 1997 Share Option Scheme to the directors to subscribe for shares of the Company, as recorded in the register required to be kept by the Company under Section 352 of the SFO was set out in note 25 to the financial statements.

Apart from the aforesaid, at no time during the year ended 31st March, 2004 was the Company or any of its associated corporations a party to any arrangement to enable the directors or chief executives to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or chief executives or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, no director is considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the convertible notes and the share option schemes as explained in notes 23 and 25 to the financial statements respectively, the Company had no outstanding convertible securities, options, warrants or similar rights at 31st March, 2004 and there was no issue or exercise of any convertible securities, options, warrants or similar rights during the year.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 31st March, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed under the section headed "Directors' interests in Shares, Underlying Shares and Debentures" in respect of certain directors, the following shareholders had notified the Company of relevant interests in the share capital of the Company:

Name of shareholder	Notes	Number of shares	Approximately percentage of issued share capital %
Leung Shu Wing	1&5	55,000,000#	16.48
Kee Shing (Holdings) Limited ("Kee Shing")	1&5	55,000,000#	16.48
Pacific Apex International Limited ("Pacific Apex")	1&5	55,000,000#	16.48
Leong Lou Teck	2&5	37,550,540#	11.25
Yap Han Hoe	2&5	37,508,000#	11.24
Galmare Investment Limited ("Galmare")	2&5	37,500,000#	11.24
Eav Yin	3	51,239,980#	15.35
Eav An Unit Trust		32,876,000#	9.85
Li Ka-Shing	4	17,767,259	5.32
Li Ka-Shing Unity Trustcorp Limited	4	17,767,259	5.32
Li Ka-Shing Unity Trustee Corporation Limited	4	17,767,259	5.32
Li Ka-Shing Unity Trustee Company Limited	4	17,767,259	5.32
Cheung Kong (Holdings) Limited ("CKH")	4	17,767,259	5.32
Ivory Limited	4	17,767,259	5.32
Ebony Limited	4	17,767,259	5.32
Borneo Limited ("Borneo")	4	17,767,259	5.32

SUBSTANTIAL INTERESTS IN SHARE CAPITAL (continued)

Notes:

1. These shares refer to the same holding of 55,000,000 shares held by Pacific Apex. Pacific Apex is a wholly owned subsidiary of Kee Shing. Mr. Leung Shu Wing is the chairman and controlling shareholder of Kee Shing.
2. These shares include 37,500,000 shares held through Galmare. Galmare is equally owned by Mr. Leong Lou Teck and Mr. Yap Han Hoe.
3. These shares include 32,876,000 shares held by the Eav An Unit Trust, a family trust the beneficiaries of which include Mr. Eav Yin, his wife and children.
4. These shares refer to the same holding of 17,767,259 shares held by Borneo. The entire issued share capital of Borneo is held by Ebony Limited, a wholly-owned subsidiary of Ivory Limited, which in turn is a wholly-owned subsidiary of CKH.

Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") both held units in The Li Ka-Shing Unity Trust.

Mr. Li Ka-Shing is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of them for the purpose of the SFO. The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the issued share capital.

CKH, TUT1, TDT1, TDT2 and Mr. Li Ka-Shing were all deemed to be interested in these 17,767,259 shares which were taken to be interested in by Borneo under the SFO.

The capacity of the persons in which ordinary shares were held are set out as below:

- (i) Borneo holds the interests as beneficial owner;
 - (ii) Ebony Limited, Ivory Limited and CKH hold the interests through interest of controlled corporation(s);
 - (iii) TUT1 holds the interests as trustee;
 - (iv) TDT1 & TDT2 hold the interests as trustee and beneficiary of trust;
 - (v) Mr. Li Ka-Shing holds the interests through interest of controlled corporations and as founder of discretionary trusts.
5. Pursuant to a ruling by the Securities and Futures Commission dated 21st November, 1996, Kee Shing, Galmare and Mr. Leung Chung Ping, Owen ("Mr. Leung"), who is also the Chairman of the Company as at the date of this report, as parties acting in concert and on this basis, if taking into account of the 3,000,000 share options held by Mr. Leung, their aggregate long position in the share and (in respect of positions held pursuant to equity derivatives) underlying shares of the Company is approximately 115,500,000 shares, representing approximately 34.6% of the issued share capital of the Company.

These notifications were filed under the repealed Securities (Disclosure of Interests) Ordinance.

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under Bermuda law.

CODE OF BEST PRACTICE

During the year under review, in the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive director and independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's largest supplier contributed approximately 17% to the total purchases for the year and the aggregate amount of purchases attributable to the Group's top five suppliers represented approximately 60% of the Group's total purchases.

Since the customer base of the Group is very wide, the aggregate sales attributable to the Group's five largest customers are less than 30% of the total sales during the year.

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

AUDITORS

A resolution will be submitted at the Annual General Meeting of the Company to re-appoint Messrs. Charles Chan, Ip & Fung CPA Ltd. as the auditors of the Company.

EXPRESSION OF GRATITUDE

The Board would like to take this opportunity to express its profound gratitude to all staff members, shareholders, bankers, customers, suppliers and professional bodies for the sincere support they have rendered the Group to date.

By Order of the Board
LAI Kwok Hung, Alex
Company Secretary

Hong Kong, 23rd July, 2004