

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries consist of investment holdings, securities dealing and brokerage, 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 DIVIDENDS

The Group's profit for the year ended 31 March 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 64.

An interim dividend of HK\$0.025 ("Cash Dividend") for every 100 shares of the Company totaling approximately HK\$468,000 was paid to the shareholders during the year.

Other than the Cash Dividend, the Board also proposed an interim dividend in specie that was satisfied by the distribution of one share of each of M. Dream Inworld Limited ("M Dream") and B.A.L. Holdings Limited ("B.A.L.") and two shares of Riverhill Holdings Limited ("Riverhill") for every 100 shares of the Company held on 6 January 2005.

On the basis of 1,871,188,679 issued shares of the Company, 18,711,887 shares of each of M Dream and B.A.L. and 37,423,774 shares of Riverhill were distributed ("Distribution Shares"). The net carrying value of the Distribution Shares as at 30 September 2004 was approximately HK\$1,676,000.

The dividend warrants of the Cash Dividend and the share certificates of the Distribution Shares were dispatched to the shareholders on 21 January 2005.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2005.

FIXED ASSETS AND INVESTMENT PROPERTY

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

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PROPERTY HELD FOR REDEVELOPMENT

Details of the property held for redevelopment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the share capital are set out in note 27 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 29 to the financial statements. Details of movements in the reserve of the Group during the year are set out on page 26.

At 31 March 2005, the Company's reserves available for distribution were HK\$82,032,000.

SUMMARY OF FINANCIAL INFORMATION

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. This 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
Ms. Yvonne Han Yi Yeung
Ms. Miranda Chi Mei Chan
Mr. Suet Ming Ching

Independent non-executive directors:

Mr. David Man San Lim
Mr. Edward Shun Kee Yeung
Mr. Pat Kan Chow (appointed on 24 September 2004)

In accordance with the Company's Bye-laws, Mr. Suet Ming Ching, Mr. David Man San Lim and Mr. Pat Kan Chow 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.

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2005, 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:

(a) Interest in ordinary shares of HK\$0.01 each in the Company:

Name of Directors	Number and nature of interest		Total	Shareholding percentage
	Family interests	Personal interests		
Ms. Yvonne Han Yi Yeung ("Ms. Yeung")	369,995,967 (Note)	30,000,000	399,995,967	21.38%
Ms. Miranda Chi Mei Chan	–	39,288	39,288	0.00%

Note:

Mr. Kenneth Chi Shing Cheung ("Mr. Cheung") personally held 299,995,967 shares of the Company. As Mr. Cheung is the sole shareholder of K.Y. Limited ("KY"), he was deemed to have interests in 60,000,000 shares of the Company held by KY. Mr. Cheung is further deemed to be interested in 10,000,000 shares of the Company held by K.C. (Investment) Limited, a wholly-owned subsidiary of KY.

Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares of the Company that Mr. Cheung is beneficially interested.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(b) Rights to acquire ordinary shares of HK\$0.01 each in the Company:

Name of Director	Capacity	Number of share options	Exercise period of share options	Exercise price per share HK\$	Approximately shareholding percentage
Johnny Wing Fai Tam	Beneficial owner	17,000,000	13 Nov 2003 – 12 Nov 2006	0.0228	0.91%

Note:

The above share options were granted under the Share Option Scheme as defined in the note 28 to financial statements. None of the share options has been exercised during the year.

All the interests stated above represented long positions. As at 31 March 2005, 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 2005, none of the Directors 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, as at 31 March 2005, the Company had been notified of the following interests in the Company:

	Number of shares	Percentage
Mr. Cheung (<i>Note 1</i>)	399,995,967	21.38%
Ms. Yeung (<i>Note 2</i>)	399,995,967	21.38%
Mr. Lin Wen (林文先生) ("Mr. Lin") (<i>Note 3</i>)	165,050,000	8.82%
Mr. Sun Jin Lin (孫進林先生) ("Mr. Sun") (<i>Note 3</i>)	150,800,000	8.06%
Mr. Rajkumar M Daswani (<i>Note 4</i>)	112,411,667	6.01%

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 369,995,967 shares beneficially interested by Mr. Cheung.
3. The interests of Mr. Lin and Mr. Sun are set out based on their notifications given to the Company on 20 August 2002 pursuant to the SFO. The Company wrote to Mr. Lin and Mr. Sun to inquire their then shareholdings in the Company on 14 June 2004. On 13 December 2004, the Company received a letter from Mr. Lin, claiming that he held approximately 5 million shares of the Company, which was substantially different from the record of Mr. Lin's interests available from the web site of the Stock Exchange and the Company. The Company tried to seek valid notification under the SFO from Mr. Lin and Mr. Sun. However, up to the date of this annual report, the Company had not received any response from Mr. Lin or Mr. Sun.
4. The interests of Mr. Rajkumar M Daswani is set out based on his notification given to the Company on 1 April 2004 pursuant to the SFO. On 7 December 2004, the Company wrote to Mr. Rajkumar M Daswani for his shareholding in the Company and received a letter dated 13 December 2004 from Mr. Rajkumar M Daswani that he and Shalini R Daswani in the joint account held 114,731,667 shares of the Company as at 30 September 2004. The Company didn't receive any valid notification from Shalini R Daswani pursuant to SFO.

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 20% and 56%, respectively, of the Group's total sales, whereas purchases from the Group's single largest and five largest suppliers combined accounted for 16% and 55%, 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.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

As at 31 March 2005, the Group had amounts due from certain clients, which individually exceeded 8% of the market capitalization of the Company. Pursuant to 13.20 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), they were presented below:

- (a) the margin loan with accrued interests due from Rosewood Assets Limited was HK\$9,395,000. The interest rate is 4% over the Hong Kong prime rate per annum (the "Prime Rate"). The market value of the collateral in form of listed securities was HK\$54,620,000;
- (b) the margin loans with accrued interests due from Victorious Limited ("Victorious") and Robina Profits Limited ("Robina") were HK\$3,971,000 and HK\$1,068,000 respectively. As both Victorious and Robina are subsidiaries of a listed company, the Group therefore aggregated them. Their interest rate is 3% over the Prime Rate and will changed to 6% over the Prime Rate once they fail to pay any deposits or margins or other sums payable to the Group. The market value of the collaterals in form of market securities amount to HK\$39,599,000;

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CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES *(Continued)*

- (c) Huge Gain Development Ltd. ("Huge Gain") drew the term loan in two tranches HK\$6,500,000 and HK\$3,100,000 on 18 and 21 February 2005 respectively. The repayment date of the respective loan should be the earlier of (a) the date falling 12 months from the relevant loan was drawn; and (b) the date the Group specify in its notice in writing demanding for repayment of such loan. The interest rate charged to Huge Gain is 20% per annum and the rate of 30% per annum will be imposed for any amount which due and payable by Huge Gain to the Group but which remains unpaid. The market value of listed securities placed by Huge Gain as collateral is HK\$32,267,000. As at 31 March 2005, the outstanding balance due from Huge Gain was HK\$9,816,000;
- (d) the term loan with accrued interests due from Rich Delta Development Limited ("Rich Delta") was HK\$13,510,000. The interest rate is 5% over the Prime Rate and will be changed to 20% per annum once in default. The Group also granted a term loan with accrued interests of HK\$2,390,000 to the beneficial owner of Rich Delta at an interest 5% over the Prime Rate and penalty shall be HK\$1,500,000 and payable immediately upon any event of default occurred. Both Rich Delta and its beneficial owner provide the Group post-dated cheques as securities and their maturity date will be 3 November 2007.

As at 31 March 2005, the net balance due from an affiliated company was HK\$11,944,000, exceeding 8% of the market capitalization of the Company. Pursuant to 13.22 of the Listing Rules, the pro-forma balance sheet of the affiliated company was set out below:

	<i>HK\$'000</i>
Non-current assets	208,370
Current assets	27,931
Current liabilities	(18,734)
Net assets	217,567
Group's attributable interest	51,828

The pro-forma balance sheet was extracted from the unaudited financial statements as at 31 March 2005 provided by the affiliated company, while the Group's interests in the affiliated company were stated at cost less accumulated amortization and any impairment losses.

CORPORATE GOVERNANCE

The Board

The Board comprises four executive Directors (one of them is appointed as the Managing Director) and three independent non-executive directors (“INEDs”). The Company believes that the Board has a balance of skills and experience appropriate for the requirements of the business of the Group. As the number of the INEDs represent more than one-third of the Board, so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

To avoid the concentration of power, the Managing Director is responsible for the management of the Board and other executive Directors are responsible for daily operations of the Group. The Managing Director will act as chairman of all Board meeting.

The duties of the Board is to formulate the strategic development, review and monitor the performance of the Group as well as approve financial statements, major investments, etc. The Board also supervises the management of the Group.

A Director shall abstain from the Board meeting on any matter in which any of his / her associates has a conflict of interest and the matter should be dealt by a physical Board meeting in which INEDs should attend.

Confirmation of independence of INEDs

Each of the INEDs has made an annual confirmation of independency. The Board considers that each INED is independent in character and judgment and that they all meet the specific independency criteria as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Model code on securities transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code for securities transactions by Directors. All members of the Board has confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the year.

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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 to the Listing Rules in force prior to 1 January 2005 except that the INEDs are not appointed on specific terms but subject to retirement by rotation in accordance with the Company's bye-laws.

Audit committee

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 March 2005. The Audit Committee comprises all of the three INEDs, namely Mr. David Man San Lim, Mr. Edward Shun Kee Yeung and Mr. Pat Kan Chow.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, the public float of the shares of the Company is sufficient.

AUDITORS

Li, Lai & Cheung were first appointed as 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 year ended 31 March 2003.

Li, Lai & Cheung will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Li, Lai & Cheung as auditors and to authorise the Board to fix their remuneration.

On behalf of the Board

Johnny Wing Fai Tam

Managing Director

Hong Kong, 5 July 2005