

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of the Company and of the Group for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in Note 15 to financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

As analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2004 is set out in Note 4 to financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group 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 19.

The directors do not recommend the payment of any dividend in respect of the year (2003: Nil).

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and assets and liabilities of the Group for the last five years prepared on the basis set out in the note below:

Results

	Year ended 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	453,344	520,857	518,281	670,180	483,605
Profit before tax	15,390	10,728	10,565	50,244	35,550
Tax	(2,528)	(2,179)	(1,666)	(8,184)	(6,114)
Net profit from ordinary activities attributable to shareholders	12,862	8,549	8,899	42,060	29,436

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and Liabilities

	As at 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Fixed assets	1,163	1,504	7,705	3,452	1,108
Current assets	258,419	240,344	201,592	159,767	112,167
Total assets	259,582	241,848	209,297	163,219	113,275
Current liabilities	(97,126)	(131,488)	(107,227)	(107,389)	(82,863)
Non-current liabilities	(232)	(418)	(677)	(783)	–
Total liabilities	(97,358)	(131,906)	(107,904)	(108,172)	(82,863)
	162,224	109,942	101,393	55,047	30,412

Note: The consolidated results of the Group for the two years ended 31 March 2002 has been extracted from the Group's financial statements for the year ended 31 March 2002. The consolidated results of the Group for each of the two years ended 31 March 2004 are set out in the financial statements on page 17. The summary of the consolidated/combined results of the Group includes the results of the Company and its subsidiaries as if the current Group structure had been in existence throughout these financial years.

The consolidated balance sheets as at 31 March 2001 and 31 March 2002 have been extracted from the Group's financial statements for the year ended 31 March 2002. The consolidated balance sheets as at 31 March 2003 and 31 March 2004 are as set out on page 18 of the financial statements.

This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in Note 14 to financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year and details of the Company's share option scheme, are set out in Notes 25 and 26 to financial statements respectively.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 27 to financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year and up to the date of this report.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$104,878,000. This amount included the Company's contributed surplus in the amount of HK\$54,045,000 at 31 March 2004, which may only be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK\$53,127,000 at 31 March 2004, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of sales attributable to the Group's five largest customers represented 59% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 27%.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 80% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 39%.

As far as the directors are aware, neither the directors, their associates nor shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

REPORT OF THE DIRECTORS

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 31 to financial statements.

PENSION SCHEMES AND COSTS

Details of the Group's pension schemes and costs charged to the consolidated income statement for the year are set out in Notes 3 and 6 to financial statements, respectively.

At 31 March 2004, the Group did not have any significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

DIRECTORS

The directors of the Company during the year and at the date of this report were as follows:

Executive Directors

Mr. Zhou Yiming

Mr. Cheung Wai Yin Wilson

Mr. Lu Zhiming

Mr. Qin Gang

(appointed on 29 August 2003)

Independent Non-executive Directors

Mr. Wong Hing Tat

Mr. Kwong Chi Ho

In accordance with the Company's bye-laws, Mr. Zhou Yiming and Mr. Qin Gang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors but not including the chairman of the board of directors and/or the managing director of the Company, are subject to retirement by rotation and re-election in accordance with the Company's bye-laws.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 8 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from the respective date of appointment, which continues thereafter until terminated by either party giving three months' notice in writing to the other party.

Save as disclosed above, 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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 31 to financial statements, no director had a material interest, whether 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' INTERESTS IN SHARE CAPITAL

At 31 March 2004, the interests and short positions of the directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 ("the Model Code") were as follows:

Name of director		Nature of interest	Number of ordinary Share held	% of issued share
Mr. Zhou Yiming	Note	Corporate	750,000,000	62.66%

Note:

- (i) The 750,000,000 shares are registered in the name of Chance Profit Investments Limited ("Chance Profit"), a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Zhou Yiming. As at 31 March 2004, all these shares were pledged to KCG Finance Limited. KCG Finance Limited is an independent third party not connected with any of the Directors, chief executives and substantial shareholders of the Company and its subsidiaries or any of their respective associates.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARE CAPITAL (Continued)

In addition to the above, a director of the Company has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the issued ordinary shares of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), further details of which are set out in Note 26 to financial statements.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in the Directors' Interest in Share Capital section of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company within the meaning of Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

USE OF PROCEEDS

The directors intend to allocate the net proceeds from the placing of shares of the Company announced on 16 October 2003 amounted to approximately HK\$34 million as to (i) approximately HK\$20 million for the Group's general working capital for operating activities; and (ii) approximately HK\$14 million for the future acquisition in manufacture and sale business of petrochemical fuel products in the PRC.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in Note 32 to financial statements.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules during the year ended 31 March 2004, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting 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, 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. The members of the audit committee have reviewed the financial statements of the Group for the year ended 31 March 2004 and are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as the auditors of the Company in succession to Messrs. Ernst & Young for the year ended 31 March 2003.

Messrs. HLB Hodgson Impey Cheng retire and being eligible, offer themselves for re-appointment.

On Behalf of the Board

Zhou Yiming

Chairman

Hong Kong, 28 July 2004