

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company and its subsidiary are engaged in investment holding for medium to long-term capital appreciation purposes. During the year, the Company commenced business in trading of listed securities.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 16 of the financial statements.

The directors do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the authorised and issued share capital of the Company are set out in note 20 to the financial statements.

In order to finance the Group's general working capital and further development of the existing business, the Company issued 49,312,000 ordinary shares of HK\$0.01 each for consideration of HK\$0.1 per share on 20th August, 2003 and 59,176,000 ordinary shares of HK\$0.01 each for consideration of HK\$0.06 per share on 25th February, 2004, respectively. The new shares rank pari passu with the existing shares in all respects.

DIRECTORS

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

Executive Directors:

Mr. Wang Chun Lin (*Chairman*)

Mr. Tai Chi Ching (resigned on 1st December, 2003)

Non-executive Directors:

Mr. Luk Cheong

Ms. Wang, Annie (appointed on 6th October, 2003)

Mr. Li Jian Wei (appointed on 15th October, 2003)

Independent Non-executive Directors:

Mr. Wang Tianye (appointed on 26th September, 2003)

Mr. Li Man Nang (appointed on 19th November, 2003)

Mr. Lin, Jack (resigned on 15th September, 2003)

Mr. Chan, Gordon (resigned on 23rd October, 2003)

In accordance with Articles 118 and 152 of the Company's Articles of Association, Ms. Wang, Annie, Mr. Li Jian Wei, Mr. Wang Tianye and Mr. Li Man Nang will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Mr. Tai Chi Ching entered into a service contract with the Company for an initial term of three years which commenced on 25th May, 2001 and continued until his resignation during the year.

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

None of the directors 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 Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2004, the interests of the directors, the chief executives 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 Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Wang, Annie	Beneficial owner	12,500,000	3.5%
Mr. Luk Cheong	Held by controlled corporation (Note 1)	70,568,000	19.9%
Mr. Wang Chun Lin	Held by controlled corporation (Note 1)	70,568,000	19.9%
Mr. Li Jian Wei	Held by controlled corporation (Note 2)	49,312,000	13.9%

Notes:

1. Mr. Luk Cheong and Mr. Wang Chun Lin beneficially own 6,600,000 and 6,800,000 ordinary shares of US\$1 each in Shen Gang Limited ("Shen Gang"), representing approximately 33% and 34% of the issued share capital of that company, respectively. Shen Gang in turn owns 70,568,000 ordinary shares of the Company.
2. Mr. Li Jian Wei beneficially owns the entire issued share capital of Parkwin Global Limited ("Parkwin"). Parkwin in turn owns 49,312,000 ordinary shares of the Company.

Other than as disclosed above, none of the directors, the chief executive and their associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at 31st March, 2004.



ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiary a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Shen Gang	Beneficial owner (Note 1)	70,568,000	19.9%
Mr. Wang Chun Lin	Held by controlled corporation (Note 1)	70,568,000	19.9%
Mr. Luk Cheong	Held by controlled corporation (Note 1)	70,568,000	19.9%
Key Mark Investments Limited ("Key Mark")	Beneficial owner (Note 2)	59,176,000	16.7%
Ms. Kwok Kit Ping	Held by controlled corporation (Note 2)	59,176,000	16.7%
Parkwin	Beneficial owner (Note 3)	49,312,000	13.9%
Mr. Li Jian Wei	Held by controlled corporation (Note 3)	49,312,000	13.9%



SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

1. Mr. Luk Cheong and Mr. Wang Chun Lin beneficially own 6,600,000 and 6,800,000 ordinary shares of US\$1 each in Shen Gang, representing approximately 33% and 34% of the issued share capital of that company, respectively. Shen Gang in turn owns 70,568,000 ordinary shares of the Company.
2. Ms. Kwok Kit Ping beneficially owns the entire issued share capital of Key Mark. Key Mark in turn owns 59,176,000 ordinary shares of the Company.
3. Mr. Li Jian Wei beneficially owns the entire issued share capital of Parkwin. Parkwin in turn owns 49,312,000 ordinary shares of the Company.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31st March, 2004.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED PARTY TRANSACTIONS

Pursuant to an agreement dated 27th November, 2000 (the "Agreement"), the Company had appointed AVANTA Investment (International) Limited ("AVANTA Investment") as its investment manager with effect from 28th April, 2000. A former director of the Company, Mr. Tai Chi Ching, is a director of AVANTA Investment. Pursuant to the Agreement, AVANTA Investment was entitled to a monthly management fee calculated at 1.5% per annum of the net asset value of the Group at each preceding month end as defined in the Agreement and an annual performance fee equivalent to 10% of the surplus in net asset value (with appropriate adjustment) of the Group over that of the previous financial year as defined in the Agreement. During the year, the Company paid a management fee of approximately HK\$194,000 to AVANTA Investment and the Agreement was terminated on 31st August, 2003.

In the opinion of the independent non-executive directors, the payment of management fees was:

- (i) in the ordinary and usual course of the Company's business and was in accordance with the terms of the relevant agreement;
- (ii) on normal commercial terms and on an arm's length basis; and
- (iii) fair and reasonable so far as the shareholders of the Company were concerned.

Other than as disclosed above, no contracts of significance to which the Company or its subsidiary 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.

INVESTMENT MANAGEMENT AGREEMENT

On 9th September, 2003, the Company entered into an investment management agreement (the "Investment Management Agreement") with Simplex Capital Asia Limited ("Simplex"), an independent third party, to appoint Simplex as its investment manager with effect from 1st September, 2003. Pursuant to the Investment Management Agreement, Simplex is entitled to a management fee of HK\$200,000 per annum. During the year, the Company paid a management fee of approximately HK\$117,000 to Simplex.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Cayman Islands, 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 ended 31st March, 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except that the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 28 to the financial statements.

AUDITORS

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

On behalf of the Board

Wang Chun Lin

Chairman

Hong Kong, 29th July, 2004