

Report of the Directors

The Board of Directors ("Board") is pleased to submit their report together with the audited accounts of the Company and its subsidiaries (the "Group") for the year ended 30 April 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are corporate investment and trading in securities, property investment and management consultancy.

An analysis of the Group's turnover and contribution to operating loss net of finance costs by principal activity for the year ended 30 April 2004 is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2004 are set out in the consolidated profit and loss account on page 17.

The Board does not recommend the payment of a final dividend for the year ended 30 April 2004 (2003: Nil). No interim dividend was declared during the year (2003: Nil).

Details of the preference dividend payable during the year are set out in note 11 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Company and the Group during the year are set out in note 13 to the accounts.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in note 21 to the accounts.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 22 to the accounts.

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MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was less than 30% of the Group's sales for the year. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases for the year.

DIRECTORS

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

Executive directors

Mr. Zhou Weirong (<i>Chairman</i>)	(appointed on 26 November 2003)
Mr. Tse On Kin (<i>Deputy Chairman</i>)	(appointed on 16 April 2004)
Mr. Tsoi Chi Keung	(appointed on 4 May 2004)
Mr. Cheung Yu Shum, Jenkin	(resigned on 14 June 2004)
Mr. Lee Kin Chung, Simon	(resigned on 14 June 2004)

Independent non-executive directors

Mr. Chen Baoying	(appointed on 14 June 2004)
Mr. Li Xin	(appointed on 14 June 2004)
Mr. Wong Ki Kit	(appointed on 14 June 2004)
Mr. Cheung Man Yau, Timothy	(resigned on 14 June 2004)
Mr. Shum Ka Hei	(resigned on 14 June 2004)

In accordance with bye-law numbered 86(2) of the Company's bye-laws, Messrs. Zhou Weirong, Tse On Kin, Tsoi Chi Keung, Chen Baoying, Li Xin and Wong Ki Kit, being directors appointed after the 2003 annual general meeting of the Company, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Zhou Weirong, aged 46, was appointed as the Chairman and an executive director of the Company on 26 November 2003. Mr. Zhou is a businessman and an investor in the stock market in the People's Republic of China (the "PRC"). Since 1990, he has been involved in properties developments in Wuhan and Shanghai, the PRC and direct investments in the technology and chemical industry including chemical coating materials business. Starting from 1996, Mr. Zhou extended his investments to Hong Kong's capital market. Mr. Zhou is the sole director and beneficial owner of Smartgood Investments Limited which is the controlling shareholder of the Company.

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BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Mr. Tse On Kin, aged 42, was appointed as the Deputy Chairman, Chief Executive Officer and Executive Director of the Company on 16 April 2004. He is the vice chairman and chief executive officer of Great Wall Cybertech Limited, a company listed in Hong Kong. He has over 16 years of experience in corporate planning, business development and human resources and new markets development.

Mr. Tsoi Chi Keung, aged 44, was appointed as an executive director of the Company on 4 May 2004. Mr. Tsoi has over 25 years experience in Hong Kong-China trade industry.

Mr. Chen Baoying, aged 75, was appointed as an independent non-executive director of the Company on 14 June 2004. Mr. Chen graduated from University of International Business & Economics in the PRC, majored in international finance and international trade. Mr. Chen has long been engaging in the research work on international finance and trade matters. Mr. Chen was appointed as the deputy director of the Hong Kong and Macau research centre of the Hong Kong and Macau Affairs Office of the State Council (國務院港澳辦公室港澳研究所) in 1986 to supervise the research on the economic and finance activities in Hong Kong and Macau. He was retired in 1995.

Mr. Li Xin, aged 44, was appointed as an independent non-executive director of the Company on 14 June 2004. Mr. Li holds a master degree in Economic from Zhonghan University of Finance and Economics in the PRC. He has over 10 years' experience in capital management.

Mr. Wong Ki Kit, aged 36, was appointed as an independent non-executive director of the Company on 14 June 2004. Mr. Wong is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. He holds a bachelor of commerce degree majored in Accounting and a master degree in Business Administration. He has over 13 years' experience in accounting, corporate finance and company secretary affairs.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhou Weirong entered into a service agreement with the Company on 26 November 2003 for a term of three years from 26 November 2003 to 25 November 2006, subject to early termination by either party giving at least six months' prior written notice or payment in lieu of notice to the other party, with a monthly salary of HK\$200,000 and other emolument as determined by the Board from time to time and subject to the approval by the shareholders of the Company in general meeting and he is also entitled to end of year bonus and annual management bonus to be determined by the Board.

Mr. Tse On Kin entered into a service agreement with the Company on 16 April 2004 for a term of three years from 16 April 2004 to 15 April 2007, subject to early termination by either party giving at least six months' prior written notice or payment in lieu of notice to the other party, with a monthly salary of HK\$120,000 and other emolument as determined by the Board from time to time and subject to the approval by the shareholders of the Company in general meeting and he is also entitled to end of year bonus and annual management bonus to be determined by the Board.

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DIRECTORS' SERVICE CONTRACTS *(Continued)*

Mr. Tsoi Chi Keung entered into a service agreement with the Company on 4 May 2004 for a term of three years from 4 May 2004 to 3 May 2007, subject to early termination by either party giving at least six months' prior written notice or payment in lieu of notice to the other party, with an annual salary of HK\$390,000 and other emolument as determined by the Board from time to time and subject to the approval by the shareholders of the Company in general meeting and he is also entitled to end of year bonus and annual management bonus to be determined by the Board.

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

No contract of significance in relation to the Company's business to which the Company, its holding 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 year end or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 April 2004, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

I. Long position in the securities of the Company

Name of director	Type of interests	Interest in Shares	Approximate percentage of total issued ordinary shares	Interest in underlying shares/debentures	Approximate percentage of total issued ordinary shares
Mr. Zhou Weirong	Corporate	1,138,879,164 <i>(Note 1)</i>	68.12%	403,875,000 <i>(Note 2)</i>	24.16%
Mr. Cheung Yu Shum, Jenkin	Corporate	6 <i>(Note 3)</i>	Negligible	4,750,000 <i>(Note 4)</i>	0.28%

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DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

I. Long position in the securities of the Company *(Continued)*

Notes:

1. The interests in 1,138,879,164 ordinary shares of HK\$0.05 each ("Shares") are held by Smartgood Investments Limited ("Smartgood"), a company incorporated in the British Virgin Islands ("BVI") with limited liability and wholly and beneficially owned by Mr. Zhou Weirong.
2. The interests in 403,875,000 underlying shares represent the interests in (1) 31,000 6% convertible redeemable preference shares of the Company ("CPS") of par value of HK\$1.00 each with notional value of HK\$5.00 each which are convertible into 3,875,000 Shares at the adjusted conversion price of HK\$0.04 each; and (2) HK\$20,000,000 2% convertible notes ("Notes") which are convertible into 400,000,000 Shares at the conversion price of HK\$0.05 (subject to adjustment), both are held by Smartgood.
3. The interests in 6 Shares are held by Perfect View Development Limited ("Perfect View"), a company incorporated in BVI with limited liability and wholly and beneficially owned by Mr. Cheung Yu Shum, Jenkin.
4. The interests in 4,750,000 underlying shares represent the interests in 38,000 CPS, which are held by Perfect View.

Save as disclosed herein, none of the directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

The share options scheme of the Company adopted on 27 October 1998 had been terminated and simultaneously a new share options scheme ("New Scheme") had been approved and adopted at the annual general meeting of the Company held on 13 October 2003. During the year, no share options were granted to the directors of the Company under the New Scheme. Details of the New Scheme are set out in the circular of the Company dated 19 September 2003.

At no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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SUBSTANTIAL SHAREHOLDERS

As at 30 April 2004, other than a director or chief executive of the Company, the corporation who has interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO was as follows:

Name of shareholder	Type of interests	Interest in Shares	Approximate percentage of total issued ordinary shares	Interest in underlying shares	Approximate percentage of total issued ordinary shares
Smartgood	Beneficial Owner	1,138,879,164	68.12%	403,875,000	24.16%

Note: This interest has been disclosed in the above section headed "Directors' Interests in Securities".

Save as disclosed above, the directors are not aware of any other persons who have interests or short positions in the shares and underlying 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 under section 336 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's securities.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the jurisdiction of Bermuda in which the Company is incorporated.

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.

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CODE OF BEST PRACTICE

The Company has complied throughout the financial year with the Code of Best Practice ("Code") as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company, Messrs. Wong Ki Kit (as Chairman), Li Xin and Chen Baoying.

SUBSEQUENT EVENTS

Details of subsequent events are shown in note 27 to the accounts.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 60 of this annual report.

AUDITORS

Ting Ho Kwan & Chan shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Zhou Weirong

Chairman

Hong Kong, 23 August 2004

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