

Report of the Directors

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (“Group”) for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The activities of the Company’s subsidiaries as at 31 March 2005 are set out in note 32 to the financial statements.

SEGMENT INFORMATION

Details of the segment information are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group are set out in the consolidated income statement on page 15 of the annual report and in the accompanying notes to the financial statements.

The Directors do not recommend to declare a dividend for the year ended 31 March 2005.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on pages 18 and 19 of the annual report respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 18 to the financial statements.

PROPERTIES

Particulars of properties of the Group as at 31 March 2005 are set out on page 52 of the annual report.

SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 March 2005 are set out on in note 32 to the financial statements.

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BORROWINGS

Bank and other borrowings repayable within one year or on demand are classified as current liabilities. Repayment analysis of bank and other borrowings as at 31 March 2005 are set out in note 24 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in note 25 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2005, the aggregate turnover and purchases attributable to the five largest customers and suppliers of the Group represented 81% and 48% of the total turnover and total purchases of the Group, respectively.

CONNECTED TRANSACTION

The related party transactions in note 31 to the financial statements have been disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("SEHK") ("Listing Rules") and constituted related party transactions of the Group and the Company in accordance with the Hong Kong Accounting Standards "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and did not constitute connected transactions nor continuing connected transactions under the definition of Chapter 14A of the Listing Rules.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 50 and 51 of the annual report.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

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DIRECTORS

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

Executive Directors:

Mr. Chan Chun Hing, Kenneth

Mr. Tsang Kam Ching, David

Mr. Zhao Ming

Mr. Fung Tsun Pong

(appointed on 22 September 2004)

Mr. U Keng Tin

(resigned on 16 July 2004)

Independent Non-executive Directors:

Mr. Yip Tak On

(appointed on 22 September 2004)

Mr. Liu Ka Lim

(appointed on 22 September 2004)

Mr. Wang Ji Cheng

(appointed on 15 October 2004)

Mr. Lee Kwan Hung, Eddie

(resigned on 22 September 2004)

Mr. Yau Sui Ki, Christie

(resigned on 15 October 2004)

In accordance with Article 117 of the Company's Articles of Association, Mr. Chan Chun Hing, Kenneth shall retire at the forthcoming annual general meeting. Mr. Chan Chun Hing, Kenneth, being eligible, shall offers himself for re-election. Moreover, in accordance with Article 100 of the company's Articles of Association, Messrs Mr. Fung Tsun Pong, Yip Tak On, Liu Ka Lim and Wang Ji Cheng shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the Independent Non-Executive Directors as regards their independence to the Company and considers that each of the Independent Non-Executive Directors is independent to the Company.

DIRECTORS PROFILES

Executive Directors

Mr. Chan Chun Hing, Kenneth, aged 41, joined the Company as a director on 6 December 2003. Mr. Chan has over 17 years of experience in the fields of real estate development, corporate finance and investment. Mr. Chan is a fellow member of the Institute of Financial Accountants in the U.K, a member of the National Institute of Accountants in Australia, Hong Kong Institute of Surveyors and Chartered Institute of Arbitrators in the UK. Mr. Chan possesses a Bachelor of Science Degree in the U.K. and a Master of Business Administration Degree in Australia. Mr. Chan is currently a director of IPS Holdings Ltd, Many Returns Ltd, Sim Lim Investment Holdings Ltd, Sim Lim Don & Solomon Aquaculture Development Holdings Ltd, HK-SAR & IPS International Financial Holdings Ltd respectively. Mr. Chan was a director of Magician Industrial Holdings Ltd, the Shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Ltd from 11 October 2004 to 19 April 2005.

DIRECTORS PROFILES *(Continued)*

Executive Directors *(Continued)*

Mr. Tsang Kam Ching, David, aged 48, has been appointed as an executive director of the Company since 17 February 2004. Mr. Tsang has extensive financial management experience over the past 20 years which covers merchant banking, stock broking, and corporate finance business. He is currently a responsible officer registered under the Securities and Futures Ordinance for type 1 (securities dealing) and type 6 (corporate finance) activities and is a director of Hooray Capital Limited and Hooray Securities Limited. Mr. Tsang is also a fellow member of the Chartered Association of Certified Accountants in the United Kingdom and a member of the HKICPA.

Mr. Zhao Ming, aged 56, has been appointed as an executive director of the Company since 17 February 2004. Mr. Zhao graduated from Beijing Normal University and is a holder of a Doctor Degree of Economics. He has been the vice Chairman of 包頭市土地復墾總公司, vice Chairman of 內蒙口岸房地產開發總公司 and Chairman of 包頭市口岸房地產開發集團. Mr. Zhao has over 20 years experience in corporate management.

Mr. Fung Tsun Pong, aged 45, has been appointed as an executive director of the Company since 22 September 2004. Mr. Fung has over 20-year experience in property development, logistics, investment banking and company management. Mr. Fung has held senior management positions in various companies incorporated in Hong Kong, British Virgin Islands and Samoa.

Independent Non-executive Directors

Mr. Yip Tak On, aged 60, has been appointed as an independent non-executive director of the Company since 22 September 2004. Mr. Yip is a fellow member of ACCA, HKICPA, Taxation Institute of Hong Kong, and a full member of Hong Kong Securities Institute. Mr. Yip has founded his own Certified Public Accountants firm for more than 20 years and is the managing director of Yip Leung & So Limited. Mr. Yip is also the treasurer of International Chamber of Commerce - Hong Kong China Business Council and the Chairman of a charitable institution, the Neighborhood Advice-Action Council.

Mr. Liu Ka Lim, aged 49, has been appointed as an independent non-executive director of the Company since 22 September 2004. Mr. Liu has over 17 years of professional experience in the fields of finance and accounting. Mr. Liu is a fellow member of the ACCA and an associate member of the HKICPA. Mr. Liu is currently a director and the Chairman of Galileo Capital Group Limited and Wonderful World Holdings Limited, the shares of which are listed on the Growth Enterprise Market and the Main Board of The Stock Exchange of Hong Kong Limited respectively.

Mr. Wang Ji Cheng, aged 62, has been appointed as an independent non-executive director of the Company since 15 October 2004. Mr. Wang has extensive experience in chemistry, chemical engineering, tender of electrical appliances, engineering consultancy and business management.

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DIRECTORS' SERVICE CONTRACTS

None of the existing Directors 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 OF SIGNIFICANCE

Save as disclosed in this Annual Report, no contracts of significance in relation to the Group's business 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 at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraphs headed "Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the Directors' remuneration and of the five highest paid employees in the Group are set out in notes 12 and 13 to the financial statements.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO are as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of shares		Number of underlying shares		Percentage of issued share capital	
	personal interest	corporate interests	personal interest	corporate interests	Total	
Mr. Chan Chun Hing, Kenneth (note a)	NIL	1,045,000,000	NIL	NIL	1,045,000,000	16.73
Mr. Fung Tsun Pong (note b)	NIL	1,033,000,000	NIL	NIL	1,033,000,000	16.54

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DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Long positions in shares and underlying shares of the Company (Continued)

Notes:

- a. Mr. Chan Chun Hing, Kenneth wholly owns Many Returns Limited ("MRL"), which was interested in 1,045,000,000 shares in the Company, representing approximately 16.73% in the issued shares of the Company. MRL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".
- b. Mr. Fung Tsun Pong wholly owns Ocean Gain Limited ("OGL") which was interested in 1,033,000,000 shares in the Company, representing approximately 16.54% in the issued shares of the Company. OGL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

Save as disclosed above, none of the Directors of the Company and their associates had any interest in the shares and/or underlying shares of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the SEHK pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein as at 31 March 2005.

SUBSTANTIAL SHAREHOLDERS

In addition to the interests disclosed under the section headed "Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures", the following parties with interests representing 5% or more of the Company's issued shares and/or underlying shares of the Company were recorded in the register of substantial shareholders maintained pursuant to Section 336 of the SFO as at 31 March 2005:

Long position in shares or underlying shares of the Company

Name of shareholders	Capacity	Number of Shares	Percentage of issued shares
Many Returns Limited (note a)	Beneficial owner	1,045,000,000	16.73
Ocean Gain Limited (note b)	Beneficial owner	1,033,000,000	16.54
Allkeen Investments Limited (note c)	Beneficial owner	1,000,000,000	16.01
Huang Wailing (note d)	Beneficial owner	930,064,514	14.89
Liu Feng Lei (note d)	Beneficial owner	457,400,000	7.32

Notes:

- a. Many Returns Limited is wholly-owned by Mr. Chan Chun Hing, Kenneth, an executive director and chief executive officer of the Company.
- b. Ocean Gain Limited is wholly-owned by Mr. Fung Tsun Pong, an executive director of the Company.
- c. Allkeen Investments Limited is wholly-owned by Miss Wong Yat Ping, an independent third party.
- d. Miss Huang Wailing and Mr. Liu Feng Lei are independent third parties.

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EXERCISE OF CONVERSION OR SUBSCRIPTION RIGHTS

Details of the exercise of conversion or subscription rights under any convertible securities and warrants or similar rights issued or granted by the Company or any of its subsidiaries are set out in note 23 and 25 to the financial statements.

SHARE OPTION SCHEME

The Share Option Scheme adopted on 30 September 1999 was terminated and replaced a new Share Option Scheme on the 16 July 2004. The new Share Option Scheme shall remain in force for 10 years from the adoption date unless otherwise terminated or amended.

On the 10 August 2004, the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, any shares of the Company which may fall to be issued pursuant to the exercise of the options to be granted under the new Share Option Scheme.

No share option has been granted, exercised, cancelled or lapsed under the new Share Option Scheme during the year ended 31 March 2005 or outstanding as at 31 March 2005.

PUBLIC FLOAT OF THE LISTED SECURITIES

Based on the publicly available information to the Company and within the knowledge of the Board, none of the Directors of the Company is aware of any information which would indicate the Company has not maintained sufficient public float of its shares in the market for the year ended 31 March 2005.

MANAGEMENT CONTRACT

There was no management agreement as at 31 March 2005 and no management fee was payable for the year then ended.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in the Listing Rules, except that the independent non-executive directors of the Company were not appointed for specific term. None of the Directors of the Company is aware of any information that would reasonably indicate that the Company was not for the year ended 31 March 2005, in compliance with the Code of Best Practice as set out in the Listing Rules.

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THE MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules and the Directors of the Company has confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee have been prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by HKICPA. The Audit Committee provides an important link between the Board and the Company's auditors in matters within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors of the Company, namely Messrs Yip Tak On, Liu Ka Lim and Wang Ji Cheng.

Two meetings of the Audit Committee have been held for the year ended 31 March 2005 to review the accounting policies and practices adopted by the Group and discuss the operation and the financial position of the Group, including a review of the unaudited financial statements for the interim period ended 30 September 2004 and the audited financial statements for the year ended 31 March 2005.

AUDITORS

Messrs CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Ltd.) has acted as auditors of the Company for the past four financial years. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Messrs CCIF CPA Limited as auditors of the Company.

On behalf of the Board

Chan Chun Hing, Kenneth
Director and Chief Executive Officer

Hong Kong, 28 June 2005