

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Huabao International Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group”), for the year ended 31st March, 2005.

CHANGE OF COMPANY NAMES

Pursuant to a special resolution passed at the special general meeting held on 19th March, 2004, the name of the Company was changed from “Leaptek Limited” to “Huabao International Holdings Limited” and the Chinese name was changed from “力特有限公司” to “華寶國際控股有限公司”. The new names became effective from 30th April, 2004 onwards.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are set out in note 27 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 16 of the annual report.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 19 and in note 20 to the financial statements, respectively.

SHARE CAPITAL

Details of the share capital and share options of the Company are set out in notes 18 and 19 to the financial statements, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

DIRECTORS' REPORT

DIRECTORS

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

Executive directors:

Ms. Chu Lam Yiu (*Chairman*)

Mr. Chen Yong Chang

Mr. Wang Guang Yu (appointed on 4th August, 2004)

Mr. Zhang Yong (retired on 3rd August, 2004)

Mr. Chan Kam Kwan, Jason (resigned on 17th April, 2004)

Mr. Ho Te Hwai, Cecil (resigned on 17th April, 2004)

Non-executive director:

Mr. Wilton Timothy Carr Ingram (resigned on 17th April, 2004)

(*Non-executive Chairman*)

Independent non-executive directors:

Mr. Mak Kin Kwong

Mr. Poon Chiu Kwok

Ms. Ma Yun Yan (appointed on 30th September, 2004)

Mr. Ha Shu Tong, Albert (resigned on 17th April, 2004)

Mr. Lau Kwok Kuen (resigned on 17th April, 2004)

In accordance with Bye-law 86(2) of the Company's bye-laws, Mr. Zhang Yong's appointment as an executive director of the Company was effective until the annual general meeting of the Company held on 3rd August, 2004. Mr. Zhang did not offer himself for re-election.

In accordance with Bye-law 86(2) of the Company's bye-laws, Mr. Wang Guang Yu and Ms. Ma Yun Yan retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Bye-law 87(1) of the Company's bye-laws, Ms. Chu Lam Yiu by virtue of being the Chairman of the Company, is not subject to retirement by rotation at any annual general meeting of the Company.

In accordance with Bye-law 87(1) of the Company's bye-laws, Mr. Mak Kin Kwong retires by rotation and, being eligible, offers himself for re-election.

The directors proposed for re-election at the forthcoming annual general meeting do not have any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st March, 2005, the interests of the directors and their associates in the shares underlying shares and debentures 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 maintained by the Company under Section 352 of the 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 Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions

(a) Ordinary shares of HK\$0.10 each in the Company

| Name of director | Capacity | Number of issued ordinary shares held | Percentage of the issued ordinary share capital of the Company |
|------------------|---|---|--|
| Chu Lam Yiu | Held through a controlled corporation (<i>note</i>) | 173,219,445 | 70.04% |

(b) Convertible cumulative non-voting preference shares of HK\$0.10 each in the Company

| Name of director | Capacity | Number of preference shares held | Number of underlying ordinary shares held under equity derivatives | Percentage of the preference share capital of the Company |
|------------------|---|--|---|--|
| Chu Lam Yiu | Held through a controlled corporation (<i>note</i>) | 526,900,000 | 526,900,000 | 100% |

(c) Warrants

| Name of director | Capacity | Number of warrants held | Number of underlying ordinary shares held under equity derivatives |
|------------------|---|----------------------------|--|
| Chu Lam Yiu | Held through a controlled corporation (<i>note</i>) | 49,000,000 | 49,000,000 |

Note: 173,219,445 ordinary shares, 526,900,000 convertible cumulative non-voting preference shares and 49,000,000 warrants in the Company are held by Mogul Enterprises Limited. Ms. Chu Lam Yiu is the sole beneficial owner of Mogul Enterprises Limited.

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DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, at 31st March, 2005, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its subsidiaries or associated corporations as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed in notes 18 and 19 to the financial statements, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries a party to any arrangements 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in notes 26(b) and (c) to the financial statements, no contracts of significance in relation to the Group's business to which the Company, its ultimate 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 end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2005, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that other than the interests disclosed in the section "Directors' interests in shares, underlying shares and debentures", the Company has not been notified of any substantial shareholders' interests and short positions in the issued share capital of the Company.

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.

CORPORATE GOVERNANCE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year, in compliance with the Code of Best Practice as set out in Appendix 14, in force prior to 1st January, 2005, to the Listing Rules except that the independent non-executive directors of the Company were 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.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out by the Stock Exchange in the Model Code in Appendix 10 to the Listing Rules. The Model Code also applies to relevant employees as defined in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard as set out in the Model Code.

AUDIT COMMITTEE

During the year, the board of directors of the Company has adopted written terms of reference for audit committee based on the guidelines set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and the requirements as set out in Rules 3.21 to 3.23 and the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The audit committee comprised three independent non-executive directors, namely Messrs. Mak Kin Kwong, Poon Chiu Kwok and Ms. Ma Yun Yan. The audit committee has reviewed the annual financial statements for the year with the board of directors and the auditors.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers was approximately 79% and the largest customer contributed approximately 21% to the turnover of the Group, and the percentage of purchases attributable to the Group's five largest suppliers was approximately 98% and the largest supplier contributed approximately 41% to the purchases of the Group.

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.

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

Chu Lam Yiu

Chairman

Hong Kong, 8th July, 2005