

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 12 to the financial statements.

RESULTS

The results of the Group for the year ended 31 March 2005 are set out in consolidated income statement on page 23 of the annual report.

The directors do not recommend the payment of dividend.

SUBSIDIARIES AND ASSOCIATES

During the year, the Group entered into the following transactions:

- (i) through its non-wholly subsidiary, Chinese People Gas Holdings Company Limited (“CPG”) (formerly known as KEL Holdings Limited), acquired 49% interest in Xin Hua Resource Investment Limited (“Xin Hua”) for HK\$29,500,000 satisfied by the issue of 295,000,000 shares in CPG at HK\$0.1 each;
- (ii) disposed the entire interest in Penmark Limited to CPG at HK\$7,500,000 satisfied by the issue of 75,000,000 shares in CPG at HK\$0.1 each;
- (iii) acquired the entire interest in Kenworth Group Limited and its related shareholder’s loan from CPG at HK\$7,000,000 satisfied by cash consideration;
- (iv) placement of 400,000,000 new shares in CPG to independent third parties at HK\$0.1 each; and
- (v) subscribed 325,000,000 new shares in CPG at HK\$0.1 each.

Following the completion of the above transaction, the Group’s interest in CPG was reduced from 74.80% to 58.77%.

The Group further reduced its interest in CPG to 52.08% by disposing 175,000,000 shares in CPG of HK\$0.1 each to independent third parties.

SUBSIDIARIES AND ASSOCIATES *(Continued)*

The Group through CPG acquired the remaining 51% interest in Xin Hua at cash consideration of HK\$65,000,000 and Xin Hua becomes a wholly owned subsidiary of CPG.

The Group disposed of its entire 52.08% interest in CPG to an independent third party at an aggregate consideration of HK\$136,172,000 and following the disposal, the Group ceased to have any interest in CPG.

Details of principal subsidiaries and associates of the Company at 31 March 2005 are set out in notes 12 and 13 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group disposed of and acquired certain property, plant and equipment of approximately HK\$127,165,000 and HK\$114,460,000, resulting from the disposal and acquisition of subsidiaries respectively.

Details of movements during the year in the property, plant and equipment of the Group are set out in note 10 to the financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and warrants of the Company are set out in note 26 to the financial statements.

PURCHASE, SALES OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year, the Company repurchased certain of its own shares through the Stock Exchange of Hong Kong Limited ("Stock Exchange"), details of which are set out in note 26 to the financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

DIRECTORS

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

Executive directors:

Mr. WANG Ke Duan (*Chairman*)

Mr. TJIA Boen Sien

(*Managing Director and Deputy Chairman*)

Mr. WANG Jing Ning

Mr. KEUNG Kwok Cheung

Mr. ONG Chi King

(appointed on 30 March 2005)

Mr. KONG Kwok Fai

(resigned on 30 March 2005)

Independent non-executive directors:

Dr. HO Chung Tai, Raymond *

Mr. SIU Man Po *

Mr. WONG Shing Kay, Oliver *

(appointed on 27 September 2004)

Ms. WONG Sin Yee

(resigned on 11 April 2005)

* audit committee members

In according to the Company's bye-laws, Mr. Wang Jing Ning and Mr. Keung Kwok Cheung shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws and, subject to eligibility, may then be re-elected.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a director of the Company had a material beneficial interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2005, the interests of the directors and their associates of the Company in the shares of the Company or 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 pursuant to 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:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital %
	Directly beneficially owned	Through a controlled corporation		
Tjia Boen Sien*	351,124,000	2,362,500,000	2,713,624,000	52.51
Wang Jing Ning*	18,396,000	2,362,500,000	2,380,896,000	46.08
Wang Ke Duan	2,689,600	–	–	0.05
Siu Man Po	1,800,000	–	–	0.03

* Sparta Assets Limited ("Sparta Assets"), a company incorporated in the British Virgin Islands, is beneficially interested in 2,362,500,000 ordinary shares. Mr. Tjia Boen Sien and Mr. Wang Jing Ning own 90% and 10% of the issued share capital of Sparta Assets respectively.

The interests of the directors in the share options of the Company are separately disclosed in note 27 to the financial statements.

Save as disclosed above, none of the directors nor their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 27 to the financial statements.

Other than as disclosed above, at no time during the year of the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

WANG Ke Duan, aged 74, is one of the co-founders of the Group. He is the chairman of the Group. He has over 50 years' experience in the construction engineering industry in the Mainland China and Hong Kong. He was the deputy general manager of Fujian Province Construction Corporation for three years prior to the establishment of the Group. He is responsible for the daily operations of the Group.

TJIA Boen Sien, aged 61, is one of the co-founders of the Group. He is the Managing Director and Deputy Chairman of the Group. Mr. Tjia is responsible for the overall corporate strategy and the daily operations of the Group, including business development and overall management. He graduated from the Fujian Overseas Chinese University in the Mainland China. Mr. Tjia is well respected and has established connections in the Mainland China construction industry through his extensive experience. He has over 22 years' experience in the construction industry in the Mainland China and Hong Kong. Mr. Tjia is the Vice Chairman and a committee member of Zhan Tian You Civil Engineering Development for Science and Technology; a member of China Civil Engineering Society, the People's Republic of China; a corporate member of the Chartered Institute of Building and a professional member of The Royal Institution of Chartered Surveyors in the United Kingdom.

WANG Jing Ning, aged 49, joined the Group in 1989 and is an executive director of the Group. Mr. Wang has over 25 years' experience in hotel management and construction engineering in the Mainland China and Hong Kong. He is responsible for managing the Group's projects in the Mainland China.

KEUNG Kwok Cheung, aged 47, joined the Group in March 1989. He is an executive director of the Group and is in charge of the Group's engineering and contracts departments. He has over 23 years' experience in the fields of civil, structural and building engineering and in the management of large-scale projects. He also holds an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University and a Master degree in Business Administration. He is a fellow member of the Hong Kong Institute of Directors. He is also a member of Civil Engineering & Architectural Society of Guangdong Province, the People's Republic of China and is a member of the China Civil Engineering Society, the People's Republic of China.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Executive directors *(Continued)*

Ong Chi King, aged 32, joined the Group in October 1999. He is an executive director of the Group. He is responsible for the business development, listing compliance and company secretarial functions of the Group. He holds a Master degree of Corporate Finance from the Hong Kong Polytechnic University and a Bachelor degree in Business Administration from the Hong Kong University of Science and Technology. He is a fellow of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 9 years' experience in accounting, auditing and finance.

Independent non-executive directors

Dr. Raymond Ho Chung-Tai, MBE, S.B. St. J., JP, aged 66, is currently a member of the third Legislative Council (Engineering Functional Constituency). Dr. Ho has 42 years' experience in the fields of civil, structural environmental and geotechnical engineering and project management including 32 years in Hong Kong and 10 years in the United Kingdom, with direct responsibility in major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial / residential buildings, geotechnical work, environmental studies and projects as well as project management. Dr. Ho holds a doctorate in civil engineering from the City University of London, U.K., Hon. Doctor of Business Administration from the City University of H.K., Honorary Doctor of Laws from University of Manchester, U.K., a postgraduate diploma in geotechnical engineering from Manchester University, U.K. and a bachelor degree in civil engineering from the University of Hong Kong. Dr. Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. Dr. Ho was formerly President of the Hong Kong Institution of Engineers (1987/1988), Council Chairman of the City University of Hong Kong, Council Chairman of the former City Polytechnic of Hong Kong, Chairman of Hong Kong Technology Committee of the Industry & Technology Development Council (ITDC) and member of ITDC, member of the first and second Legislative Council (Engineering Functional Constituency), member of the Provisional Legislative Council, Chairman of the Transport Advisory Committee, Hong Kong Affairs Adviser and member of Consultative Committee on the New Airport and Related Projects. Dr. Ho is currently Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee and member of the Gas Safety Advisory Committee.

Ir SIU Man-po was awarded the MEDAL OF HONOUR (MH) by the Chief Executive of the Government of the Hong Kong Special Administrative Region (HKSAR) in July 2004 for his dedication and meritorious services to the engineering profession and the community.

Mr. Siu, aged 67, obtained his Master of Science in Civil Engineering in 1963 from Auburn University in Auburn, Alabama, U.S.A.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)***Independent non-executive directors** *(Continued)*

Mr. Siu has extensive experience in construction field including the construction of Tsing Yi Power Stations in 1966-1977, MTR stations in 1977-1987, and Hong Kong Baptist University campus development in 1989-1999.

Mr. Siu is a Fellow Member of the Hong Kong Institution of Engineers, American Society of Civil Engineers, the Hong Kong Institute of Facility Management and the Hong Kong Institute of Directors.

Mr. Siu is currently the Managing Director of Ho Wang Siu Mak Management Ltd.

Mr. Wong Shing Kay, Oliver, aged 53, obtained his professional accounting qualifications in both Hong Kong and Canada. Mr. Wong is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Wong is also a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of Certified General Accountants of Canada. Mr. Wong had worked in various renowned auditing firms in Hong Kong with over 15 years of experience in handling auditing, financial accounting and taxation matters. Mr. Wong is currently appointed as an independent non-executive director and a member of Auditing Committee of several listed companies in Hong Kong. He also assumed the duty of Financial Controller for several listed companies in both Hong Kong and Canada for over ten years. Mr. Wong is presently practising as a Certified Public Accountant in Hong Kong. He is knowledgeable with expertise in financial accounting, taxation, import-export business and company management.

Senior management

KONG Kwok Fai, aged 43, joined the Group in March 1991. He is a director of Deson Development Limited and supervises the Group's engineering department. He is responsible for overall projects operation and all contractual matters relating to construction. He holds a Master degree in civil and structural engineering from the University of Sheffield in the United Kingdom, and is a Registered Professional Engineer, a member of the Hong Kong Institution of Engineers, a member of the Association for Project Management in the United Kingdom, a member of the China Civil Engineering Society, the People's Republic of China and a member of the Civil Engineering & Architectural Society of Guangdong Province, the People's Republic of China.

SONG Sio Chong, age 50, joined the Group in July 1999. He is a director of Deson Development Ltd. and supervises the Group's engineering department and contracts department. He has 26 years' professional experience in structural design, site supervision and contract management. He is a chartered structural engineer of the UK, registered professional engineer of the HKSAR and Grade I registered structural engineer of the PRC. Other than his academic qualifications in Civil and Structural Engineering, he holds LLB, LLM and LLD degrees in PRC Law from Peking University.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Senior management *(Continued)*

CHAN Chi Kwong, aged 42, joined the Group in July 1992. He is a senior project manager of the Group and is responsible for the supervision of the Group's construction projects both in Hong Kong and in the Mainland China. He has over 21 years' experience in the field of civil and structural engineering. He holds a Bachelor Degree of Science in Construction Management from the University of Wolverhampton.

KWOK Koon Keung, aged 37, joined the Group in February 1996. He is the contracts manager of the Group and in-charge of the contracts department. He has over 15 years' experience in the industry and holds a Bachelor of Science degree in Building from South Bank University in United Kingdom. He is a Professional Associate Member of the Royal Institute of Chartered Surveyors.

WONG Ka Yan, aged 32, joined the Group in April 2001. She is the Financial Controller of the Group. She is responsible for monitoring all of the Group's accounting and finance functions. She holds a Bachelor degree in Commerce from the University of Adelaide, Australia. She is a certified public accountant of CPA Australia. Before joining the Group, she had several years' experience with an international accounting firm.

HO Ka Yiu, aged 46, joined the Group in August 1993. He is a director of Deson Development Limited and in charge the safety & environmental department of the Group. His responsibilities include monitor and implementation of safety policies in the projects and quantity surveying. He has over 23 years' experience and holds a Higher Certificate in Building Studies from the Hong Kong Polytechnic University.

LEUNG Siu Lok, aged 47, joined the Group in April 1995. He is a project manager of the Group and is responsible for on-site supervision of the Hong Kong projects. He has over 24 years' experience in the field of civil and structural engineering. He holds an Associateship in Civil and Structural Engineering & Master of Science in Project Management from the Hong Kong Polytechnic University.

YEUNG Yam Chi, aged 43, joined the Group in April 1994. He is a senior project manager of the Group and is responsible for supervision of the Group's construction projects in Hong Kong and in the Mainland China. He has over 19 years' experience in the field of civil and structural engineering. He holds a Master's degree in Civil and Structural Engineering from the University of Sheffield in the United Kingdom.

LEE Kai Ming, aged 47, joined the Group in August 1997. He is an E&M engineer of the Group and is responsible for supervising all building service projects. He has more than 23 years' experience in building services engineering. He is a member of The Hong Kong Institution of Engineers, a Chartered Engineer of the Engineering Council, and a member of the Chartered Institution of Building Services Engineers.

LI Ngan Mei, aged 44, joined the Group in December 1988 and is the administration manager of the Group. She has more than 20 years' experience in personnel and administration management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior management (Continued)

KONG Ping, aged 69, joined the Group in April 1990 as the accountant of the Group. She is responsible for overseeing all of the Group's accounting matters in the Mainland China. She obtained her accountancy qualification in Fujian Province in 1983 after having graduated from Fujian Finance School in the Mainland China. She has more than 39 years' cost accounting experience in major enterprises in the Mainland China.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2005, 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 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 and nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Sparta Assets	Directly beneficially owned	2,362,500,000	45.72%
Tjia Boen Sien*	Through a controlled corporation	2,362,500,000	45.72%
	Directly beneficially owned	351,124,000	6.79%
Wang Jing Ning*	Through a controlled corporation	2,362,500,000	45.72%
	Directly beneficially owned	18,396,000	0.36%
Okabe Co. Ltd.	Directly beneficially owned	281,250,000	5.44%

* Sparta Assets, a company incorporated in the British Virgin Islands, is beneficially interested in 2,362,500,000 ordinary shares of the Company. Mr. Tjia Boen Sien and Mr. Wang Jing Ning own 90% and 10% of the issued share capital of Sparta Assets respectively.

CONNECTED TRANSACTIONS

The Group had the following material connected transactions during the year:

1. During the year, the Group entered into a conditional agreement with KEL Holdings Limited (“KEL”) to disposal of the entire issued share capital of Penmark Limited and its related shareholder’s loan (the “Penmark Disposal”) at a consideration of HK\$7,500,000. The consideration was satisfied by issuing 75,000,000 shares of KEL at HK\$0.10 each to the Group. KEL granted the Group an option to subscribe for one option share for every two shares issued at the option exercise price of HK\$0.105 per option share.

As the Group was a controlling shareholder of KEL having a shareholding interest of approximately 74.8% in KEL at the time of the Penmark Disposal took place, the Penmark Disposal constituted a connected transaction for the Group under the Listing Rules. The transaction was approved by the shareholders of the Group at a special general meeting on 16 April 2004 and was completed on 30 April 2004.

2. During the year, the Group entered into a conditional agreement with KEL to acquire of the entire issued share capital of Kenworth Group Limited and its shareholder’s loan (the “Kenworth Acquisition”) for HK\$7,000,000 in cash.

The Kenworth Acquisition has been aggregated with the Subscription (as defined below) and as a result, the subscription and Kenworth Acquisition constituted discloseable transactions for the Group under the Listing Rules. As the Group was a controlling shareholder of the KEL having a shareholding interest of 74.8% in KEL at the time of the Kenworth Acquisition took place, the Subscription and the Kenworth Acquisition constituted connected transactions for the Group under the Listing Rules. The Subscription and the Kenworth Acquisition were approved by the shareholders of the Group at a special general meeting on 16 April 2004 and were completed on 30 April 2004.

3. During the year, Super Win Development Limited (“Super Win”), an indirect subsidiary of the Group entered into a conditional subscription agreement with KEL. KEL will issue 325,000,000 new shares (the “Subscription Shares”) to Super Win at a price of HK\$0.10 each for an aggregate consideration of HK\$32,500,000 (the “Subscription”). Pursuant to the subscription agreement, Super Win will be entitled to subscribe for one option share for every two shares subscribed for at the option exercise price of HK\$0.105 per option share.

CONNECTED TRANSACTIONS *(Continued)*

4. During the year, the Group also entered into a conditional sales and purchases agreement with Asian Allied Limited (“Asian Allied”) (the “Sales and Purchases Agreement”). Pursuant to the Sales and Purchases Agreement, the Group agreed to dispose to Asian Allied the entire issued share capital of Super Win and the related shareholder’s loan for an aggregate consideration of HK\$136,172,425.6 (“Super Win Disposal”).

The sole asset of Super Win is its legal and beneficial interest in 1,361,724,256 shares of CPG shares and 200,000,000 options to subscribe new shares of CPG at HK\$0.105 each.

Mr. Mo Shikang, a director of CPG and certain of its subsidiaries, is a director and controlling shareholder of Asian Allied. As CPG is a subsidiary of the Group at the time of Super Win Disposal, Super Win Disposal constitutes a connected transaction for the Company under the Listing Rules. The Super Win Disposal was approved by the shareholder of the Company at a special general meeting on 15 March 2005 and was completed on the same day.

EMOLUMENT POLICY

The Group’s emolument policy for its employees is set out by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the board of directors, as authorised by the shareholders at the annual general meeting, having regard to the Group’s operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 27 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group’s five largest customers accounted for approximately 31% (2004: 32%) of the total sales for the years and sales to the largest customer included therein amounted to approximately 13% (2004: 11%). Purchases from the Group’s five largest suppliers accounted for approximately 19% (2004: 21%) of the total purchases for the year, and purchases from the largest supplier included therein amounted to approximately 7% (2004: 11%).

None of the directors of the Company, or any of their associates or any other shareholders, which to the best knowledge of the directors, own more than 5% of the Company’s issued share capital had any interest in the Group’s five largest customers or suppliers.

COMPETITION AND CONFLICTS OF INTERESTS

None of the directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that completes or may complete with the business of the Group or has any other conflict of interests with the Group.

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.

PARTICULARS OF PROPERTIES

The properties under development for sale of the Group are as follows:

Location	Group's interest	Stage of completion	Expected completion date	Expected use	Gross floor area
Southern Area, Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	Construction stage	End of 2005	Residential and commercial complex	Total gross floor area is 125,964 sq. m.

The completed properties held for sale of the Group are as follows:

Location	Group's interest	Tenure	Use	Gross floor area
Phases II & III, Asian Villas Jinpen Industrial Development Zone Xinhua District Haikou Hainan Province PRC	100%	The property is held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Residential	Total gross floor area is 89,251 sq.m.
Apartments, villas, hotel and services apartments at Park View Nos. 206, 208, 218, 220, 222, 228 & 238 Baise Road Xuhui District Shanghai PRC	100%	The property is held for a term of 70 years, commencing on 18 February 1993 and expiring on 17 February 2063	Residential	Total gross floor area is 56,174 sq.m.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code of Best Practice (the “Code”), as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code, but 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 the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors’ securities transactions on terms no less exactly than the required standard set out in the Model Code. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient Public float throughout the year ended 31 March 2005.

AUDITORS

During the year, Messrs. Ernst & Young, who acts as auditors for the period from 1 April 2003 to 31 March 2004, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

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

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong, 25 July 2005