

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 14 to 41.

The directors do not recommend the payment of any dividend for the year ended 31 March 2005.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years/period, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 42.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

Details of movements of investment properties of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

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RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity on pages 17 and 18 respectively.

PRE-EMPTIVE RIGHTS

There are no provisions 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 its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the 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, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right.

DISTRIBUTABLE RESERVES

At 31 March 2005, the Company's reserves available for distribution amounted to approximately HK\$92,121,000 (2004: HK\$101,267,000), calculated in accordance with the laws of the Cayman Islands.

SHARE OPTIONS

The details of the share option scheme adopted by the Company on 20 August 2003 are set out in note 23 to the financial statements.

No share option has been granted.

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MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2005, the five largest customers of the Group accounted for approximately 94% of the Group's total turnover, with the largest customer accounted for approximately 67%.

For the year ended 31 March 2005, the five largest suppliers of the Group accounted for approximately 71% of the Group's total purchases, with the largest supplier accounted for approximately 43%.

At no time during the year were the directors, their associates, or any shareholder of the Company which to the knowledge of the directors owned more than 5% of the Company's share capital had any interest in these major customers and suppliers.

DIRECTORS

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

Executive directors:

Yu Tat Chi, Michael

Williamson Lam

Mak Wai Fong

Wong Hon Kit

Chan Tak Lam

(appointed on 24 May 2005)

(appointed on 30 September 2004 and resigned on 24 May 2005)

(appointed on 1 April 2004 and resigned on 30 September 2004)

(resigned on 1 April 2004)

Independent non-executive directors:

Tang Ping Sum

Chan Cheong Yee

Lo Kwok Chee, Johnny

Lok Shing Kwan Sunny

(appointed on 30 September 2004)

(appointed on 19 April 2005)

(resigned on 20 April 2005)

In accordance with Article 99 and 116 of the Company's articles of association, all remaining directors will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Independent non-executive directors are not appointed for a specific term because all directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

BIOGRAPHIES OF DIRECTORS

Biographical details of the directors of the Company are set out on page 6 of the Annual Report.

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DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance 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, subsisted as at 31 March 2005 or at any time during the year ended 31 March 2005.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the Company subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

According to the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), as at 31 March 2005 none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 2005, so far as being known to the directors, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interests in 5% or more the issued share capital of the Company:

Name	Number of shares held	Percentage of the Company's share capital
Gold Capital Investments Limited <i>(Note 1)</i>	154,146,092	28.97%
Eric Edward Hotung, C.B.E. <i>(Note 2)</i>	29,952,608	5.63%
Hotung Investment (China) Limited <i>(Notes 2 and 3)</i>	16,171,000	3.04%
Genesee Company Limited <i>(Note 2)</i>	15,161,000	2.85%
Hotung Enterprises Limited <i>(Note 3)</i>	1,000,000	0.19%
Prosperity Investment Limited (formerly known as "GR Investment International Limited")	52,777,026	9.92%
Kenfair International (Holdings) Limited <i>(Note 4)</i>	92,800,000	17.44%

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Note 1: Mr. Ma Ching Chung Robert is deemed to be interested in 154,146,092 shares held by Gold Capital Investments Limited, which is beneficially owned by City Leader International Limited, which is beneficially owned as to 100% by Mr. Ma.

Note 2: Hotung Investment (China) Limited and Genesee Company Limited are considered as concert parties of Eric Edward Hotung, C.B.E. as the acquisition of the shares by each of these companies were financed by Eric Edward Hotung, C.B.E..

Note 3: In addition to the 1,000,000 shares which are beneficially owned by Hotung Enterprises Limited, Hotung Enterprises Limited is also deemed to be interested in the 16,171,000 shares held by Hotung Investment (China) Limited as 93.75% shareholding in Hotung Investment (China) Limited is controlled by Hotung Enterprises Limited.

Note 4: Kenfair International (Holdings) Limited is deemed to be interested in 92,800,000 shares in the issued capital held by Kenfair Publications Limited. Kenfair Publications Limited is wholly-owned by Pro-Capital Investments Limited and Pro-Capital Investments Limited is wholly-owned by Kenfair International (Holdings) Limited. Mr. Ip Ki Cheung is beneficially interested in 50% of the entire issued share capital of Capital Concord Profits Limited which has 50.05% shareholding in Kenfair International (Holdings) Limited. Kenfair International (Holdings) Limited is a company whose shares are listed on the Stock Exchange of Hong Kong Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's shares and underlying shares as at 31 March 2005.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company and within the knowledge of the directors of the Company, over 25% of the issued share capital of the Company was held by the public as required under the Listing Rules.

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AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company. The audit results of the Group for the year ended 31 March 2005 have been reviewed by the Audit Committee.

AUDITORS

The financial statements for the year ended 31 March 2003 were audited by Messrs Charles Chan, Ip and Fung CPA Limited. In 2004, Messrs Charles Chan, Ip and Fung CPA Limited resigned and Messrs KLL Associates CPA Limited was appointed as auditors of the Company. The financial statements for the year ended 31 March 2004 and 31 March 2005 were audited by KLL Associates CPA Limited.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint KLL Associates CPA Limited as auditors of the Company.

On behalf of the Board

Williamson Lam

Executive Director

Hong Kong, 25 July 2005