



DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in note 17 and note 19 to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sale during the year attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers was less than 30% of the Group's total purchases.

RESULTS

Details of the Group's results for the year are set out in the consolidated income statement on page 18.

The directors recommended the payment of a final dividend of HK\$16,959,000 representing HK3.5 cents per share (2004: Nil), payable to shareholders of the Company whose names are on the register of members on 25 August, 2005.

SHARE CAPITAL

During the year, the Company carried out a share consolidation whereby every four ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one ordinary share of HK\$0.04 each. 1,533,791,800 issued ordinary shares of HK\$0.01 each and 16,466,208,200 unissued ordinary shares of HK\$0.01 each were consolidated into 383,447,950 issued ordinary shares of HK\$0.04 each and 4,116,552,050 unissued ordinary shares of HK\$0.04 each, respectively. A further 1,092,500 ordinary shares in the Company of HK\$0.04 were issued upon the exercise of 1,092,500 share options at an exercise price of HK\$0.672 per share.

Details of other movements in the share capital of the Company during the year are set out in note 27 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

INVESTMENT PROPERTIES

During the year, the Group disposed of investment properties with a carrying value of approximately HK\$44,650,000 as a result of disposal of a subsidiary.

The Group revalued all of its investment properties at the balance sheet date and the surplus arising on revaluation of approximately HK\$146,554,000 is credited to the investment property revaluation reserve.

Details of these and other movements of investment properties of the Group during the year are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$15,421,000 on the acquisition of property, plant and equipment.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

In July 2004, the Group acquired a further approximately 4.59% interest in Capital Estate Limited ("Capital Estate"), a company incorporated in Hong Kong and whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), for an aggregate cash consideration of approximately HK\$4,700,000. The Group's interest in Capital Estate was increased from 21.71% to 26.3% and further diluted from 26.3% to 21.13% following the allotment and issue of new shares by Capital Estate.

During the year, the Group disposed of its wholly owned subsidiaries, namely Ascot Limited ("Ascot") and Linkpower Worldwide Inc. ("Linkpower") for a total consideration of approximately HK\$139,000,000 to third parties. The major assets of Ascot and Linkpower are investment property and a 45% interest in Concord Way Limited.



DIRECTORS' REPORT

BORROWINGS

Details of bank loans and other borrowings of the Group are set out in note 26 to the financial statements. No interest was capitalised by the Group during the year.

DIRECTORS

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

Non-executive director:

Mr. Chung Cho Yee, Mico	(appointed on 17th September, 2004 and redesignated as Non-executive Chairman on 29th June, 2005)
-------------------------	---

Executive directors:

Dato' Choo Yeow Ming	(resigned on 29th June, 2005)
Ms. Ma Wai Man, Catherine	
Mr. Chow Hou Man	(appointed on 29th June, 2005)

Independent non-executive directors:

Dr. Lam Lee G.	
Dato' Wong Sin Just	
Mr. Liu Yeau-Hwan, Pete	
Mr. Cheng Yuk Wo	(redesignated as independent non-executive director on 23rd September, 2004)

Pursuant to Bye-law 99(A) of the Bye-laws, Mr. Liu Yeau-Hwan, Pete and Dr. Lam Lee G. shall retire by rotation. Mr. Liu Yeau-Hwan, Pete has expressed to the Company of his intention of not offering himself for re-election as a director at the annual general meeting. The Board would like to record its appreciation to Mr. Liu Yeau-Hwan, Pete for his valuable support and services to the Company since 2001. Dr. Lam Lee G., a director retiring in accordance with the Bye-law 99(A) of the Company, and, being eligible, offer himself for re-election at the annual general meeting. In addition, Mr. Chung Cho Yee, Mico and Mr. Chow Hou Man being directors appointed by the Board after the annual general meeting of the Company held on 30th August, 2004 will hold office only until the annual general meeting pursuant to Bye-law 102(B) of the Bye-laws and, being eligible, offer themselves for re-election as directors.



DIRECTORS' REPORT

DIRECTORS *(Continued)*

The directors proposed for re-election at the forthcoming annual general meeting do not have any 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 the retirement by rotation in accordance with the Company's Bye-laws.

BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Directors

Mr. Chung Cho Yee, Mico, aged 44, Non-Executive Chairman and Non-Executive Director of the Company, joined the Group in 2004, graduated from the University College, University of London, England, with a law degree in 1983. He qualified as a solicitor in Hong Kong in 1986. Mr. Chung is currently holding directorships in E2-Capital (Holdings) Limited, Pacific Century Insurance Holdings Limited, PCCW Limited and Hong Kong Construction (Holdings) Limited, all being companies listed on The Stock Exchange of Hong Kong Limited. He is also a director of JALECO Ltd., a company listed on Jasdaq Securities Exchange Inc.

Ms. Ma Wai Man, Catherine, aged 39, Executive Director and Company Secretary of the Company, joined the Group in 2001. Ms. Ma, a graduate of the City University of Hong Kong, is a chartered secretary and a fellow of Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. Ms. Ma has extensive management experience in companies with diversified interests ranging from manufacturing, telecommunications to infrastructure and property investments. She has also held executive directorship in a number of companies listed on local and overseas stock exchanges before joining the Company.

Mr. Chow Hou Man, aged 34, Executive Director and Chief Financial Officer of the Company, joined the Group in 2001. Mr. Chow graduated from the Baptist University and holds a MBA degree from the Hong Kong Polytechnic University. He has over 10 years of financial experience in various companies listed in Hong Kong and overseas and an international firm of certified public accountants. He is a member of both Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF *(Continued)*

Directors *(Continued)*

Mr. Cheng Yuk Wo, aged 44, Independent Non-Executive director, joined the Group in 2002. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Cheng worked at Coopers and Lybrand in London and with Swiss Bank Corporation in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is consultant of several listed companies and the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng holds a M.Sc.(Econ) degree and a B.A.(Hon) degree.

Dr. Lam Lee G., aged 46, joined the Company as an Independent Non-Executive Director in 2001. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa, Canada, a Post-graduate Diploma in Public Administration from Carlton University, Canada, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 23 years of multinational business management, strategy consulting, corporate governance, investment banking, and direct investment experience. He is President & CEO, and Vice Chairman of the Board of Chia Tai Enterprises International Limited, Senior Executive Vice President of Chia Tai Group, a Member of the Board of TRUE Corporation PLC, and Vice Chairman of Shanghai Kinghill Ltd. A Fellow of the Hong Kong Institute of Directors, Dr. Lam has, over the past decade and across 13 countries/territories, served on the board of a number of publicly-listed and privately-held companies.

Mr. Liu Yeau-Hwan, Pete, aged 57, Independent Non-Executive Director of the Company, joined the Group in 2001. Mr. Liu is the founder and Chairman of WI Harper Group, a venture capital and investment-banking firm, with offices in San Francisco, Taipei, Hong Kong, and Beijing. Since 1989, Mr. Liu is also a general partner of International Network Capital Fund, a leading venture capital fund management firm providing high technology investment opportunities to its investors in the Asia Pacific Region and the United States. Previously, Mr. Liu was a founder and principal partner at Walden International Investment Group. Mr. Liu has counselled over 200 major high-tech companies throughout the U.S. and Asia.

Dato' Wong Sin Just, aged 39, Independent Non-Executive Director, joined the Group in 2001. Mr. Wong possesses over 10 years of investment banking experience having held positions with a number of premier international investment banks. Mr. Wong is currently the executive co-chairman of E2-Capital (Holdings) Limited. Prior to establishing E2-Capital Limited, Mr. Wong was the Managing Director and the Head of Equity Capital Markets at BNP Prime Peregrine Securities Limited. Mr. Wong holds a Bachelor Degree in Engineering (First Class Honours) from the Imperial College of Science, Technology and Medicine, University of London and was qualified with the Institute of Chartered Accountants in England and Wales. Mr. Wong is also an Executive Director and the Chief Executive Officer of Softbank Investment International (Strategic) Limited and an Independent Non-executive Director of hongkong.com Corporation.

DIRECTORS' REPORT



BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF *(Continued)*

Senior Management Staff

Mr. Kan Sze Man, aged 33, General Counsel of the Group, joined the Group in 2001. Mr. Kan is a qualified solicitor by profession. Mr. Kan graduated from Wadham College, Oxford University, England in 1993 and qualified as a solicitor in Hong Kong in 1997. He has worked in the commercial department of a leading Hong Kong law firm and a U.K. city firm, until joining Hikari Tsushin International Limited (now known as Nippon Asia Investments Holdings Limited) as its senior vice president and legal counsel in early 2000.

Mr. Wong Chung Kwong, aged 54, General Manager of CSI Property Holdings Limited, joined the Group in 2004, is responsible for all property related investments of the Group. Mr. Wong has been working in the local and mainland real estate markets for 30 years and has solid experience in properties related projects such as leasing, sale and marketing, tenders and property management. Before joining the Group, Mr. Wong has worked in property developing and management companies in mainland China and Hong Kong.

Mr. Ho Lok Fai, aged 44, manager of CSI Property Holdings Limited, joined the Group in 2005, is responsible for the sale and leasing of all property of the Group. Mr. Ho possesses more than 15 years experience in the sale and leasing of office and commercial property and is specialized in analyzing market data and trend. Mr. Ho had worked in several property agency companies before joining the Group.

SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Particulars of the Company's share option schemes are set out in note 28 to the financial statements.

The following table discloses movements in the Company's share options held by a director during the year:

	Option scheme type	Exercise price HK\$ (Note 3)	Number of options outstanding at 1.4.2004	Adjustment due to share consolidation	Number of options outstanding at 31.3.2005
Ma Wai Man, Catherine	2001 (Note 1)	0.168	31,500,000	(31,500,000)	—
		0.672	—	7,875,000	7,875,000
	2002 (Note 2)	0.140	12,500,000	(12,500,000)	—
		0.560	—	3,125,000	3,125,000
Total			<u>44,000,000</u>	<u>(33,000,000)</u>	<u>11,000,000</u>

SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

(Continued)

Notes:

1. There is a limit on the number of share options under the 2001 Share Option Scheme that may be exercised by each grantee during each period of 12 months commencing from 30th August, 2001 (until 29th August, 2005), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the chairman of the Company to the exercise of share options exceeding such limit.
2. There is a limit on the number of share options under the 2002 Share Option Scheme that may be exercised by each grantee during each period of 12 months commencing from 23rd September, 2002 (until 22nd September, 2006), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the chairman of the Company to the exercise of share options exceeding such limit.
3. Following the share consolidation carried out by CSI during the year, the exercise prices of the share options were adjusted from their initial exercise prices of HK\$0.140 and HK\$0.168 to adjusted exercise prices of HK\$0.560 and HK\$0.672 respectively.

DIRECTORS' INTERESTS IN SHARES

Save as disclosed above and disclosed in section headed "Substantial Shareholders", as at 31st March, 2005, none of the Company's directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of the Securities and Futures Ordinance (SFO) and as recorded in the register kept by the Company under Section 352 of the Securities Future Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that as at 31st March, 2005 the following shareholders had notified the Company of a relevant interest in the issued share capital of the Company.

DIRECTORS' REPORT



SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long position

Name	Capacity	Long position/ short position	Number of shares	Approximate shareholding percentage
Chung Cho Yee, Mico	Beneficial owner (Note 1)	Long position	170,067,250	44.26%
Earnest Equity Limited	Interest of controlled corporation (Note 2)	Long position	169,647,250	44.15%
Chan Kwok Keung, Charles	Interest of controlled corporation (Note 3)	Long position	40,000,000	10.41%
Ng Yuen Lan, Macy	Interest of controlled corporation (Note 3)	Long position	40,000,000	10.41%
Chinaview International Limited	Interest of controlled corporation (Note 3)	Long position	40,000,000	10.41%
Galaxyway Investments Limited	Interest of controlled corporation (Note 3)	Long position	40,000,000	10.41%
ITC Corporation Limited	Interest of controlled corporation (Note 3)	Long position	40,000,000	10.41%
ITC Investment Holdings Limited	Interest of controlled corporation (Note 3)	Long position	40,000,000	10.41%
New Oval Holdings Limited	Beneficial owner (Note 3)	Long position	40,000,000	10.41%
Li Tzar Kai, Richard	Interest of controlled corporation (Note 4)	Long position	25,000,000	6.5%
Eisner Investments Limited	Beneficial owner (Note 4)	Long position	25,000,000	6.5%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long position *(Continued)*

Notes:

1. Being the aggregate of personal interest of Mr. Chung Cho Yee, Mico of 420,000 shares and the corporate interest held by Earnest Equity Limited of 169,647,250 shares.
2. Earnest Equity Limited ("Earnest Equity"), the entire issued share capital of which is held by Digisino Assets Limited ("Digisino") as trustee of a discretionary trust founded by Mr. Chung Cho Yee, Mico, who together with his spouse and children are the current discretionary beneficiaries. Further, the entire issued share capital of Digisino is held by Mr. Chung Cho Yee, Mico and that both Digisino and Earnest Equity are corporations wholly owned and controlled by him.
3. On 8 March, 2005, New Oval Holdings Limited ("New Oval") entered into an agreement with the Company to subscribe for 40,000,000 shares in the Company. New Oval a wholly-owned subsidiary of ITC Investment Holdings Limited ("ITC Investment"), which was, in turn a wholly-owned subsidiary of ITC Corporation Limited ("ITC"), Galaxyway Investments Limited, a wholly-owned subsidiary of Chinaview International Limited ("Chinaview"), owned approximately 33.50% of the issued ordinary share capital of ITC. Dr. Chan Kwok Keung, Charles owned the entire issued share capital of Chinaview, Dr. Chan Kwok Keung, Charles, Chinaview, Galaxyway, ITC and ITC Investment was deemed to be interested in the said 40,000,000 shares in the Company pursuant to the represent agreement entered into by New Oval. Ms. Ng Yuen Lan, Macy, the spouse of Dr. Chan Kwok Keung, Charles, was deemed to be interested in the said 40,000,000 shares in the Company pursuant to the represent agreement entered into by New Oval.
4. On 8 March, 2005, Eisner Investments Limited ("Eisner") entered into an agreement with the Company to subscribe for 25,000,000 shares in the Company. Eisner is a company wholly and beneficially owned by Mr. Li Tzar Kai, Richard.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital as at 31st March, 2005.



DIRECTORS' REPORT

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up 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 authorized by the shareholders at the annual general meetings, having regard to the Company'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 is set out in note 28 to the financial statements.

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

The Company has complied throughout the year ended 31st March, 2005 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which was in force prior to 1 January, 2005.

On 1 January, 2005, the Code of Best Practice set out in Appendix 14 of the Listing Rules was replaced by the new "Code on Corporate Governance Practices" and "Corporate Governance Report" was introduced in Appendice 23 of the Listing Rules. The Company's compliance of the new Appendices 14 and 23 will come into effect in the year ending 31 March, 2006.

The Company has adopted Appendix 10 of the Listing Rules as the Model Code for Securities Transactions by Directors of the Company.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2005.



DIRECTORS' REPORT

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 39 to the financial statements.

AUDITORS

A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chung Cho Yee, Mico
NON-EXECUTIVE CHAIRMAN

21st July, 2005