

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in notes 38 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 20.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

In January 2005, the Group acquired the entire issued share capital of Sun Concord Limited ("Sun Concord") and Deluxe Ray Inc. ("Deluxe Ray") at a total consideration of HK\$40,000,000. Sun Concord has a 45% direct interest in Kind Ever Limited, a company incorporated in the British Virgin Islands ("BVI") with its subsidiary engaged in technology and environmental investment. Deluxe Ray has a 15.25% direct interest in Nice Achieve Development Limited, a company established in BVI with its subsidiary engaged in the manufacturing and distribution of generators and engine.

On 4th July, 2005 the Company was notified by the Hong Kong Companies Registry that the annual return of Gold United International Industries Limited ("Gold United"), a non-wholly owned subsidiary of the Company, filed in May 2005 ("May Annual Return") contained information, including members and directors of Gold United, which are incorrect and significantly different from the original annual return that are presented by the Group on 29th April, 2005.

On 13th July, 2005, the Company filed a writ against Mr. Li Jin Fang, Cheng Qing Bo, Huang Jun Tao and Wong Wai Dai (hereinafter collectively referred to as the "Defendants") seeking, amongst others, declarations by the court to effect that Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were the people which purportedly filed the false information to the Hong Kong Companies Registry and/or identified as members and directors in the May Annual Return. Gold United is an investment holding company, which has an 80% direct interest in 杭州恆運交通開發有限公司, which is engaged in the operation of a highway in the People's Republic of China.

After taking into consideration the advice of the Group's legal counsel, the directors consider the Group has a 51% effective interest in Gold United and consider that the outcome of the proceedings will not have material adverse financial effect to the Group.

Details of the above are set out in the announcement to the shareholders of the Company dated 13th July, 2005.

Details of the principal subsidiaries and associates of the Company at 31st March, 2005 are set out in note 38 and 17, respectively, to the financial statements.

DIRECTORS' REPORT

INVESTMENT PROPERTIES

The Group's investment properties at 31st March, 2005 were revalued by independent firms of professional property valuers on an open market value basis. The revaluation increase of approximately HK\$2.5 million has been credited to the income statement as a revaluation decrease has previously been charged to income statement.

Details of the investment properties of the Group during the year are set out in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group recognised impairment loss of approximately HK\$200.0 million in respect of toll highway.

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.

CONVERTIBLE NOTES AND SHARE CAPITAL

Peakhill Convertible Notes

In December 2004, the Company entered into a subscription agreement with Peakhill Investment Limited ("Peakhill"), an independent third party, for the subscription of convertible notes of the Company with a principal amount of HK\$32.4 million, convertible into shares of the Company at an initial conversion price of HK\$0.03 per share ("Peakhill Convertible Notes"). The Peakhill Convertible Notes were fully converted into shares of the Company during the year.

The issue of the Peakhill Convertible Notes was approved by the shareholders of the Company at a special general meeting on 7th February, 2005, details of which are set out in a circular to the shareholders of the Company dated 20th January, 2005.

Share Subscription Agreement, CB Placing Agreement and CB Subscription Agreements

On 6th January, 2005, the Company entered into (i) a share subscription agreement with an independent third party for the subscription of 530,000,000 new shares in the Company at HK\$0.03 per share ("Share Subscription Agreement"); and (ii) placing and subscription agreements with independent third parties for the placing and subscription of the convertible notes with principal amounts of HK\$31.2 million ("CB Placing Agreement") and HK\$78.0 million ("CB Subscription Agreements"), respectively, convertible into shares of the Company at an initial conversion price of HK\$0.03 each.

The Share Subscription Agreement, CB Placing Agreement and CB Subscription Agreements were approved by the shareholders of the Company on 9th March, 2005, details of which were set out in the circular to the shareholders of the Company dated 21st February, 2005.

CONVERTIBLE NOTES AND SHARE CAPITAL *(Continued)***Share Subscription Agreement, CB Placing Agreement and CB Subscription Agreements** *(Continued)*

The Share Subscription Agreement and CB Placing Agreement were completed on 18th May, 2005.

On 14th July, 2005, the Company entered into cancellation agreements with the subscribers of the CB Subscription Agreements, details of which were set out in the announcement to the shareholders of the Company on the same date.

Share Placing Agreement

In addition, during the year, the Company entered into placing agreements in relation to the placing of 902,280,000 new shares in the Company at a placing price of HK\$0.02 per share.

Details of these and other movements in the convertible notes and share capital of the Company during the year are set out in notes 24 and 26 to the financial statements, respectively.

DIRECTORS

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

Executive directors:

Dong Bo, Frederic *(Chairman)*

Lau Man Tak

Wong Cho Fai, Nicholas

(appointed on 23rd May, 2005)

Cheung Yu Shum, Jenkin

(appointed on 24th June, 2005)

Independent non-executive directors:

Kan Kwok Shu

Shum Ka Hei

Zuo Guang

Pang Haiou

In accordance with Clause 87(2) of the Company's bye-laws, Mr. Wong Cho Fai, Nicholas, Mr. Cheung Yu Shum, Jenkin and Mr. Shum Ka Hei will 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 for each non-executive director is the period up to his retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' REPORT**DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As 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, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 Companies (the "Model Code"), were as follows:

Name of director	Capacity	Number of issued ordinary shares held <i>(note)</i>	Percentage of the issued share capital of the Company
Long position			
Dong Bo, Frederic	Held by controlled corporation	1,030,468,350	15.87%

Note: United Jumbo Limited ("United Jumbo"), which directly own 1,030,468,350 shares in the Company, is beneficially wholly-owned by Mr. Dong Bo, Frederic.

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

SHARE OPTION SCHEME

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

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price	Number of share options		
			Outstanding at 1.4.2004	Lapsed during the year	Outstanding at 31.3.2005
Category 1:					
Employee and consultants					
Employees and consultants	9.12.2002	0.202	12,956,000	(12,956,000)	–

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed above under the section headed "SHARE OPTION SCHEME", 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.

SUBSTANTIAL SHAREHOLDERS

At 31st 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 share capital of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Long position			
Ordinary shares at 0.01 each			
United Jumbo Limited	Beneficial owner	1,030,468,350	15.87%
Dong Bo, Frederic	Held by controlled corporation	1,030,468,350	15.87%
Lam Kwan Sing	Held by controlled corporation	1,080,000,000 (<i>Note 1</i>)	16.63%
Peakhill	Beneficial owner	1,080,000,000 (<i>Note 1</i>)	16.63%
Ma Siu Fong	Held by controlled corporation	865,520,350 (<i>Note 2</i>)	13.33%
Chu Yuet Wah	Held by controlled corporation	865,520,350 (<i>Note 2</i>)	13.33%
Kingston Finance Limited	Beneficial owner	865,520,350 (<i>Note 2</i>)	13.33%
Cheung Yu Shum, Jenkin	Held by controlled corporation	429,000,000 (<i>Note 3</i>)	6.61%
Interpool Holdings Limited	Beneficial owner	429,000,000 (<i>Note 3</i>)	6.61%
Hu Die Fei	Beneficial owner	445,530,000	6.86%

DIRECTORS' REPORT**SUBSTANTIAL SHAREHOLDERS** *(Continued)**Notes:*

1. Peakhill, which directly own 1,080,000,000 shares in the Company, is beneficially wholly owned by Mr. Lam Kwan Sing and, accordingly, Mr. Lam Kwan Sing is deemed to be interested in 1,080,000,000 shares in the Company.
2. Kingston Finance Limited ("Kingston"), which directly own 865,520,350 shares in the Company, is beneficially owned as to 51% and 49% by Ms. Chu Yuet Wah and Ms. Ma Siu Fong, respectively. Accordingly, Ms. Chu Yuet Wah and Ms. Ma Siu Fong are deemed to be interest in the shares held by Kingston.
3. Interpool Holdings Limited, which directly own 429,000,000 shares in the Company, is beneficially wholly owned by Mr. Cheung Yu Shum, Jenkin and, accordingly, Mr. Cheung Yu Shum, Jenkin is deemed to be interested in 429,000,000 shares in the Company.

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

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

During the year, Prosper City International Limited, a non-wholly owned subsidiary of the Company, paid approximately HK\$840,000 to Kohner Limited ("Kohner") in respect of rental for premises. Kohner is the minority shareholder of Prosper City. The transaction constituted a continuing connected transaction pursuant to Chapter 14 of the Listing Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The independent non-executive directors confirm that the transactions have been entered into by the Group in the ordinary course of its business, on terms no less favourable than terms available with independent third parties, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, no other 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 at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers were less than 30% of the Group's turnover for the year. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's purchases for the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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 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 which are set out in note 27 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 of the Listing Rules on the Stock Exchange.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

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

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POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 37 to the financial statements.

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

Dong Bo, Frederic
Chairman

Hong Kong, 27th July, 2005