

Report of the Directors

The directors submit herewith their report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in Note 15 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance by principal activities and geographical locations of operations for the year ended 31 March 2005 is set out in Note 13 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2005 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 15 to 54 of this annual report.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2005 (2004: Nil).

PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries as at 31 March 2005 are set out in Note 15 to the financial statements.

FIXED ASSETS

Details of movements in fixed assets of the Group during the year are set out in Note 14 to the financial statements.

BORROWINGS AND INTERESTS CAPITALISED

Particulars of the Group's borrowings as at 31 March 2005 are set out in Note 22 to the financial statements. No interest was capitalised by the Group during the year.

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.

Report of the Directors (continued)

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 24 to the financial statements.

Details of staff retirement benefits of the Group are set out in Note 9 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.

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

There was no purchase, sale or redemption of the Company's share by the Company or any of its subsidiaries during the year ended 31 March 2005.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in Notes 7 and 15 to the financial statements, there was no material acquisitions or disposals of subsidiaries or associates in the course of the financial year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2005, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus in the amount of approximately HK\$29,390,000 is not available for distribution as at 31 March 2005.

MAJOR SUPPLIERS AND CUSTOMERS

During the year under review, sales to the five largest customers of the Group accounted for approximately 54.2% of the turnover for the year. Purchases from the five largest suppliers of the Group accounted for approximately 28% of the total purchases for the year. The largest customer and supplier of the Group accounted for approximately 17.9% and 13% of the turnover and the total purchases respectively for the year.

As far as the directors are aware, none of the directors, their associates or shareholders (who to the knowledge of the directors own more than 5% of the Company's issued share capital) were interested at any time during the year in any of the above customers and suppliers.

Report of the Directors (continued)

FIVE-YEAR FINANCIAL SUMMARY

Results	2005 HK\$'000	Year ended 31 March			
		2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	4,150	23,117	23,410	28,620	13,818
(Loss)/ profit from operations	(25,672)	1,723	(121,624)	(68,061)	(78,217)
Finance costs	(3,087)	(1,601)	(285)	(208)	(417)
Impairment loss on an associate	-	-	-	-	(3,891)
(Loss)/ profit from ordinary activities before taxation	(28,759)	122	(121,909)	(68,269)	(82,525)
Income tax	(10)	(26)	-	-	-
Minority interests	-	7	(14)	448	19
(Loss)/ profit attributable to shareholders	(28,769)	103	(121,923)	(67,821)	(82,506)
Assets and liabilities	2005 HK\$'000	As at 31 March			
		2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Intangible assets	-	-	-	50,454	43,332
Tangible fixed assets	10,991	20,021	3,205	54,018	68,909
Current assets	61,441	95,522	31,440	33,228	67,932
Total assets	72,432	115,543	34,645	137,700	180,173
Current liabilities	51,620	72,137	19,686	42,253	33,941
Long-term portion of obligations under hire-purchase contracts	-	249	229	229	-
Long-term unsecured loans	-	-	-	-	-
Convertible bonds	-	-	-	-	-
Minority interests	-	-	32	18	11
Total liabilities and minority interests	51,620	72,386	19,947	42,500	33,952
Net assets	20,812	43,157	14,698	95,200	146,221
Capital and reserves:					
Share capital	8,829	73,580	44,780	74,639	62,639
Reserves	11,983	(30,423)	(30,082)	20,561	83,582
Shareholders' funds	20,812	43,157	14,698	95,200	146,221

Report of the Directors (continued)

DIRECTORS

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

Executive directors

Mr. Chi Chi Hung, Kenneth (<i>Chairman</i>)	
Mr. Wong Hin Shek, Hans	(Appointed on 22 March 2005)
Mr. Hui Sze Yin, Clarence	(Resigned on 22 March 2005)

Independent non-executive directors

Mr. Lau Man Tak	
Mr. Chan Chi Yuen	(Appointed on 12 January 2005)
Mr. Chun Jay	(Appointed on 12 January 2005)
Mr. So Hon Cheung, Stephen	(Resigned on 12 January 2005)
Mr. Lee Kin Chung, Simon	(Resigned on 15 September 2004)
Ms. Xia Ling Yun	(Resigned on 22 March 2005)

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Wong Hin Shek, Hans, Mr. Chun Jay and Mr. Chan Chi Yuen shall retire from office at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

In accordance with the Company's Bye-law 99, Mr. Lau Man Tak will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of directors and the five highest paid individuals of the Group are set out in Note 8 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the directors who is proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than normal 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 any 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.

Report of the Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

(I) Interests and short positions in shares and underlying shares of the Company

At 31 March 2005, none of the directors or chief executives, nor their respective associates had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(II) Share options

The Company adopted a share option scheme on 17 November 2003 (the "Scheme"), for the primary purpose of providing incentives to directors and employees. Under the Scheme, the Company may grant options to eligible persons, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Particulars of the Scheme and details of movements of share options during the year ended 31 March 2005 are set out in Note 24 to the financial statements.

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors or chief executives 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 none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the year.

Report of the Directors (continued)

SUBSTANTIAL SHAREHOLDERS

As 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 and short positions in the issued share capital of the Company:

Shareholders	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Wong King Shiu, Daniel	Beneficial owner	90,306,000 Shares	10.23%
Great Sense Limited (Note 1)	Beneficial owner	87,460,000 Shares	9.91%
Tsang Chiu Ming	Held by controlled corporation	87,460,000 Shares	9.91%

Notes:

1. Great Sense Limited is wholly owned by Tsang Chiu Ming and Tsang Chiu Ming is accordingly taken to have an interest in the 87,460,000 Shares in which Great Sense Limited is interested under the SFO.

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 31 March 2005.

ADVANCE TO AN ENTITY

As at 31 March 2005, the amount due from 上海凱托集團有限公司 exceeded eight per cent of the percentage ratios as defined in the Listing Rules. The details and nature of the advance are set out in Note 17 to the financial statements and disclosed in the Company's announcement dated 6 August 2004 respectively.

SUBSEQUENT EVENT

Details of significant events occurring after the balance sheet date are set out in Note 30 to the financial statements.

Report of the Directors (continued)

CORPORATE GOVERNANCE

The Company has throughout the year ended 31 March 2005 complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (in force prior to 1 January 2005), except that independent non-executive directors are not appointed for a specific term but are subject to rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee comprising Mr. Lau Man Tak, Mr. Chun Jay and Mr. Chan Chi Yuen, all are independent non-executive directors of the Company. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The financial statements of the Company for the year ended 31 March 2005 has been reviewed by the Audit Committee before they were tabled for the Board's review and approval.

On 1 January 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practices (the "new code"). Listed issuers are expected to comply with the new Code's provisions starting from 1 January 2005.

AUDITORS

The financial statements were audited by Messrs. HLB Hodgson Impey Cheng who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Kenneth Chi
Chairman

Hong Kong, 26 July 2005