

REPORT OF THE DIRECTORS

The board of directors present their annual report and the audited financial statements for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 13 to the financial statements.

RESULTS

The results of the Group for the year ended 30 June 2005 and the state of affairs of the Group and the Company at that date are set out in the financial statement on page 29 to 58.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest customer of the Group by itself and together with the next four largest customers accounted for about 91% and 100% respectively of the Group's turnover.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for about 99% and 100% respectively of the Group's purchases.

At 30 June 2005, Mr. Zhang Yang had a beneficial interest in one of the five largest customers of the Group. All transactions between the Group and the customers concerned were carried out on normal commercial terms.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company during the year are set out in note 11 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 12 to the financial statement.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

Report of the Directors

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 32 and in note 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:

Mr. Zhang Yang

Mr. Lam Cheung Shing, Richard

Independent non-executive directors:

Mr. Ko Ming Tung, Edward

Mr. Tam Sun Wing

Mr. Ng Ge Bun

(appointed on 30 September 2004)

The directors of the Company, including the executive and independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with clauses 87 (1) and 87 (2) of the Company's Bye-laws.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

At 30 June 2005, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), 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, were as follows:

Long positions – ordinary shares of HK\$0.1 each of the Company

Name of director	Capacity	Number of shares held as corporate interests	Percentage of the issued share capital of the Company
Mr. Zhang Yang	Corporate (Note)	750,000,000	16.72%

Note: These shares are held by Sourcebase Developments Limited, a company beneficially owned by Mr. Zhang Yang.

Save as disclosed above, none of the directors or their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 30 June 2005.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 31 to the financial statements.

No share option was granted or exercised under the share option scheme 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 at the end of the year or at any time during the year.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than interest disclosed above in respect of the director, Mr. Zhang Yang, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company.

Long positions – ordinary shares of HK\$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Number of underlying shares held under equity derivatives	Percentage of the issued share capital of the Company
Sourcebase Developments Limited (Note 1)	Beneficial owner	750,000,000	–	16.72%
Mr. Benny Ki (Note 2)	Beneficial owner	170,000,000	283,950,617	10.12%
Mr. Lu Jiping	Beneficial owner	269,520,000	–	6.01%

Save as the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 30 June 2005.

Notes:

1. Sourcebase Developments Limited is beneficially owned by Mr. Zhang Yang, who is a director of the Company.
2. Mr. Benny Ki is the beneficial owner of 170,000,000 shares and 283,950,617 underlying shares, which would be allotted and issued to Mr. Benny Ki upon the exercise in full of the conversion rights attached to the convertible note at the conversion price of HK\$0.162 per share.

CONNECTED TRANSACTIONS

The Company announced on 20 December 2004 that the Group had entered into agreements on 16 December 2004 relating to the following non-exempt continuing connected transactions between the Gainnew Group Limited (“Gainnew”), a 60% owned subsidiary of the Company, HK Power Limited (“HK Power”) and Keygold Group Limited (“Keygold”). Particulars of the agreements together with the total considerations for the year ended 30 June 2005 are disclosed herein as required under the Listing Rules:

(a) The Subcontracting Agreement

Party A:	Gainnew
Party B:	HK Power
Nature of transactions:	HK Power subcontracts exclusively to Gainnew certain of its obligations under its management agreement with casino operator (the “Management Agreement”), including marketing and introduction of customers to Omar III and the provision of the settlement service. Accordingly, Gainnew will not be involved in the direct operation or management of the casino (the “Casino”) and gaming activities on board Omar III.
Terms:	16 December 2004 to the earlier of 31 October 2006 (or 15 December 2007 if the term of the Management Agreement have been renewed in accordance with the terms thereof) or the date on which the Management Agreement terminates.
Considerations:	Gainnew shall receive (i) a commission calculated at 1.45% of the rolling turnover (being the amount of gambling chips exchanged for Casino players under the settlement service) of the Casino; (ii) a management fee which is calculated at (a) 0.2% of the total rolling turnover of the Casino; and (b) 40% of the gross profit of the Casino after deducting certain expenses including rental for the Casino premises and rolling commission payable to HK Power.
Total consideration for the year:	HK\$110,495,739

Report of the Directors

CONNECTED TRANSACTIONS (continued)

(b) The Service Agreement

Party A:	Gainnew
Party B:	Keygold
Nature of transactions:	Keygold was appointed as Gainnew's consultant to provide the management service to Gainnew in performing the services as stipulated in the Subcontracting Agreement.
Terms:	16 December 2004 to the earlier of 31 October 2006 (or 15 December 2007 if the term of the Management Agreement have been renewed in accordance with the terms thereof) or the date on which the Management Agreement terminates.
Consideration:	Keygold will receive a consultancy fee which is equivalent to 5% of Gainnew's management fee receivable under the Subcontracting Agreement.
Total consideration for the year:	HK\$1,626,374

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 10 to 20 of this report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2005.

Report of the Directors

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of Mr. Tam Sun Wing, Mr. Ko Ming Tung, Edward and Mr. Ng Ge Bun. The Audit Committee has reviewed the accounting policies and practices adopted and the annual report of the Group for the year. The Audit Committee has held regular meeting since its formation, at a frequency of at least twice a year.

EMOLUMENT POLICY

Emolument policy on the remuneration of the directors and the employees of the Group is reviewed periodically and determined by reference to market terms, company performance , and individual qualifications and performance.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 34 to the financial statements.

AUDITORS

During the year, Deloitte Touche Tohmatsu, who acted as auditors of the Company for the past three years, resigned and KLL Associates CPA Limited were appointed as auditors of the Company.

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

Zhang Yang

21 October 2005