

Directors' Report

The Directors submit herewith their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 March 2006.

Principal Activities

The Company is an investment holding company.

The activities of the Company's subsidiaries during the year are set out in note 34 to the financial statements.

Segment Information

Details of the segment information are set out in note 15 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2006 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 18 to 20.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2006.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 21 to 22 to the financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

Properties

Particulars of properties of the Group as at 31 March 2006 are set out on page 62 of the annual report.

Pledges of Assets

Details of pledges of assets of the Group are set out in note 32 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 31 to the financial statements.

Subsidiaries

Particulars of the subsidiaries of the Group as at 31 March 2006 are set out on in note 34 to the financial statements.

Borrowings

Bank and other borrowings repayable within one year or on demand are classified as current liabilities. Repayment analyses of bank and other borrowings as at 31 March 2006 are set out in note 24 to the financial statements.

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Major Customers and Suppliers

For the year ended 31 March 2006, the aggregate turnover and purchases attributable to the five largest customers and suppliers of goods and services of the Group represented 100% and 40% of the total turnover and total purchases of the Group, respectively.

Connected Transactions

The related party transactions in note 33 to the financial statements have been disclosed in accordance with the Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and did not constitute connected transactions nor continuing connected transactions under the definition of Chapter 14A of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 60 to 61 of the annual report.

Pre-Emptive Rights

There is no provision 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 existing shareholders.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

Share Capital

On 29 June 2005, the Company allotted and issued 45,600,000 and 60,800,000 (a total of 106,400,000) new ordinary shares at HK\$0.125 per share (represents a discount of approximately 16.7% to the closing price of HK\$0.15 per Share as quoted on Stock Exchange on 6 June 2005, being the day on which the terms of issue were fixed) each to Mr. Liu Li Qiang and Mr. Lui Kwan Wing respectively pursuant to two subscription agreements dated 6 June 2005. The net price per each share was approximately HK\$0.124 and the net proceeds derived from the subscriptions, amounting to HK\$13,170,000, were intended to be used for working capital and investment in clean energy project.

On 3 November 2005, the Company allotted and issued 53,994,083 new ordinary shares at HK\$0.13 per share (represents a discount of approximately 7.8% to the closing price of HK\$0.141 per Share as quoted on Stock Exchange on 19 August 2005, being the day on which the terms of issue were fixed) to Ms. Yuan Yi as settlement of consideration of approximately HK\$7,019,000 under a property sale and purchase agreement dated 19 August 2005 entered into between the Company's wholly-owned subsidiary, Triumph Kind Investment Limited, as purchaser and Ms. Yuan Yi as vendor.

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Share Capital *(Continued)*

On 24 March 2006, the Company allotted and issued 20,000,000, 50,000,000, 46,875,000, 68,437,500 and 10,000,000 (a total of 195,312,500) new ordinary shares at HK\$0.128 per share (a discount of approximately 18.0% to the closing price of HK\$0.156 per Share as quoted on the Stock Exchange on 9 March 2006, being the day on which the terms of issue were fixed) each to Messrs. Lee Ting Lap, Liu Guohua, Liu Li Qiang, Pang Tung Choi, and Yu Hoi Ching respectively pursuant to five subscription agreements dated 9 March 2006. The net price per share was approximately HK\$0.127 and the net proceeds derived from the subscriptions amounted to approximately HK\$24,800,000 which were intended to be used for the capital injection required for the acquisition of 51% interest in a PRC utilities company, 河南阜源石油化工有限公司 (Henan Fu Yuan Petroleum and Chemical Engineering Company Limited).

Directors

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

Executive Directors:

Mr. Fung Tsun Pong	
Mr. Tsang Kam Ching, David	
Mr. Zhao Ming	(resigned on 19 August 2005)
Mr. Chan Chun Hing, Kenneth	(resigned on 27 February 2006)

Independent Non-executive Directors:

Mr. Liu Ka Lim	
Mr. Yip Tak On	
Mr. Jing Baoli	(appointed on 28 February 2006)
Mr. Wang Ji Cheng	(resigned on 27 February 2006)

In accordance with Article 117 of the Company's Articles of Association, the Directors, including the executive and independent non-executive Directors, are subject to retirement by rotation and, being eligible, may offer themselves for re-election. In addition, Article 100 of the Articles of Association provides that any Director appointed by the board of Directors shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Tsang Kam Ching, David and Mr. Jing Baoli shall retire at the forthcoming annual general meeting and being eligible, shall offer themselves for re-election.

The Company has received annual confirmation pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors regarding their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

Directors' Report

Biographical Details of Directors

Executive Directors

Mr. Fung Tsun Pong, aged 46, joined the Company as an executive director on 22 September 2004. Mr. Fung has over 20 years of experience in property development, logistics, investment banking and company management. Mr. Fung has held senior management positions in various companies incorporated in Hong Kong, British Virgin Islands and Samoa.

Mr. Tsang Kam Ching, David, aged 49, joined the Company as an executive director on 17 February 2004. Mr. Tsang has extensive financial management experience over the past 20 years which covers merchant banking, stock broking and corporate finance business. He is currently a responsible officer registered under the SFO for type 1 (securities dealing) and type 6 (corporate finance) activities. Mr. Tsang is also a fellow member of the Chartered Association of Certified Accountants in the United Kingdom ("ACCA") and an associate member of the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Independent Non-executive Directors

Mr. Yip Tak On, aged 60, joined the Company as an independent non-executive director on 22 September 2004. Mr. Yip is a fellow member of ACCA, HKICPA, Taxation Institute of Hong Kong, and a full member of Hong Kong Securities Institute. Mr. Yip has founded his own Certified Public Accountants firm for more than 20 years and is the managing director of Yip Leung & So Limited. Mr. Yip is also the treasurer of International Chamber of Commerce - Hong Kong China Business Council and the Chairman of a charitable institution, the Neighborhood Advice-Action Council. Mr. Yip has not held other directorships in listed companies in the last three years.

Mr. Liu Ka Lim, aged 50, has been appointed as an independent and non-executive director of the Company since 22 September 2004. Mr. Liu has over 18 years of professional experience in the fields of finance and accounting. Mr. Liu is a fellow member of the ACCA and an associate member of the HKICPA. Mr. Liu is currently a director and the Chairman of Galileo Capital Group Limited and was an executive director and chairman of Wonderful World Holdings Limited from 17 October 2003 to 31 March 2006. The shares of Galileo Capital Group Limited and Wonderful World Holdings Limited are listed on the Growth Enterprise Market and the Main Board of The Stock Exchange of Hong Kong Limited respectively.

Mr. Jing Baoli, aged 41, was graduated from Beijing University Law School with a Bachelor Degree in laws in 1987 and acquired a Master Degree in laws from Lanzhou University in 1997. After graduation from Beijing University, he was assigned to the High Court of Gansu Province and worked in various positions till 1997. In 1997, Mr. Jing joined Gansu Tianhe Law Firm as a partner and starting from 1999, he became an attorney-at-law of Beijing Shuang Cheng Law Firm.

Directors' Service Contracts

None of the existing Directors 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' Report

Directors' Emolument, the Five Highest paid Employees and the Group's Emolument Policy

Details of the Directors' emolument and of the five highest paid employees in the Group are set out in notes 10 and 11 to the financial statements.

The Group ensures that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration strategy.

The Directors' remuneration is determined by the Company with reference to their responsibilities to undertake, the Company's performance and profitability, remuneration benchmark, prevailing market conditions and recommendation of the Remuneration Committee of the Company.

Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures

At 31 March 2006, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO are as follows:

Long positions in shares and underlying shares of the Company

Name of director	No. of shares		Total	Percentage of issued share capital
	Personal interests	Corporate interests		
Mr. Fung Tsun Pong (Note)	NIL	1,050,000,000	1,050,000,000	15.90%

Note: Mr. Fung Tsun Pong wholly owns Ocean Gain Limited, which is interested in 1,050,000,000 shares in the Company, representing approximately 15.90% in the issued shares of the Company as at 31 March 2006. Ocean Gain Limited is a substantial shareholder of the Company and its shareholding in the Company as set out in the section headed "Substantial Shareholders".

Save as disclosed above, none of the Directors of the Company and their associates had any interest in the shares and/or underlying shares of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the SEHK pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein as at 31 March 2006.

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Directors Interests in Contracts of Significance

Save as disclosed in note 33 to the financial statements, no contracts of significance in relation to the Group's business 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 at the end of the year or at any time during the year.

Directors' Rights to Acquire Shares

Save as disclosed under the paragraphs headed "Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders

The following parties with interests representing 5% or more of the Company's issued share and/or underlying shares of the Company were recorded in the register of substantial shareholders maintained pursuant to Section 336 of the SFO as at 31 March 2006:

Long position in shares of the Company

Name of shareholders	Capacity	Number of shares	Percentage of issued shares
Ocean Gain Limited (<i>Note a</i>)	Beneficial owner	1,050,000,000	15.90
Richest Billion Limited (<i>Note b</i>)	Beneficial owner	1,045,000,000	15.83
Allkeen Investments Limited (<i>Note c</i>)	Beneficial owner	1,000,000,000	15.15
Huang Weling	Beneficial owner	895,064,514	13.56

Notes:

- (a) Ocean Gain Limited is wholly-owned by Mr. Fung Tsun Pong, an executive director of the Company.
- (b) Richest Billion Limited is wholly-owned by Miss Li Shi Miao.
- (c) Allkeen Investments Limited is wholly-owned by Miss Wong Yat Ping.

Share Options Scheme

The Share Option Scheme of the Company was adopted on 16 July 2004 and shall remain in force for 10 years from the adoption date unless otherwise terminated or amended. On the 10 August 2004, the Listing Committee of The Stock Exchange of Hong Kong Limited granted approval of the listing of, and permission to deal in, any shares of the Company which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

No share option has been granted, exercised, cancelled or lapsed under the new Share Option Scheme during the year ended 31 March 2006 or outstanding as at 31 March 2006.

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Public Float of the Listed Securities

Based on the publicly available information to the Company and within the knowledge of the Board, none of the directors of the Company is aware of any information which would indicate the Company has not maintained sufficient public float of its shares in the market up to the date of this report.

Management Contract

No contract concerning the management and administrative of the whole or any substantial part of the business of the Company.

The Model Code

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules and the Directors of the Company has confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee have been prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the HKICPA. The Audit Committee provides an important link between the Board and the Company's auditors in matters within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises all independent non-executive directors of the Company, namely Mr. Yip Tak On, Mr. Liu Ka Lim, and Mr. Jing Baoli. Further information of the Audit Committee is set out in the Corporate Governance Report.

The financial results for the year ended 31 March 2006 have been reviewed by the Audit Committee of the Company.

Auditors

CCIF CPA Limited retire and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

Tsang Kam Ching, David
Director and Chief Executive Officer

Hong Kong, 18 July 2006