

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries ("Group") for the year ended 31 March 2004.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The activities of the Company's subsidiaries as at 31 March 2004 are set out in note 31 to the financial statements.

## SEGMENT INFORMATION

Details of the segment information are set out in note 16 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group are set out in the consolidated income statement on page 16 of the annual report and in the accompanying notes to the financial statements.

The Directors do not recommend to declare a dividend for the year ended 31 March 2004.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out on pages 19 and 20 of the financial statements respectively.

## 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 17 to the financial statements.

## PROPERTIES

Particulars of properties of the Group as at 31 March 2004 are set out on page 64 of the annual report.

## SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 March 2004 are set out on in note 31 to the financial statements.

## BORROWINGS

Bank and other borrowings repayable within one year or on demand are classified as current liabilities. Repayment analysis of bank and other borrowings as at 31 March 2004 are set out in note 23 to the financial statements.

## SHARE CAPITAL

Details of the movements in the Company's share capital are set out in note 24 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2004, the aggregate turnover and purchases attributable to the five largest customers and suppliers of the Group represented 73% and 51% of the total turnover and total purchases of the Group, respectively.

## CONNECTED TRANSACTION

The related party transactions in note 30 to the financial statements have been disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("SEHK") ("Listing Rules") and constituted connected transactions of the Group and the Company in accordance with the Statement of Standard Accounting Practice "Related Party Disclosures" issued by the Hong Kong Society of Accountants ("HKSA") and did not constitute connected transactions nor continuing connected transactions under the definition of Chapter 14A of the Listing Rules.

## 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 page 63 of the annual report.

### PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's New 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.

### DIRECTORS

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

#### Executive Directors:

Mr. Chan Chun Hing, Kenneth	(appointed on 6 December 2003)
Mr. U Keng Tin	(appointed on 6 December 2003)
Mr. Tsang Kam Ching, David	(appointed on 17 February 2004)
Mr. Zhao Ming	(appointed on 17 February 2004)
Miss Choi Siu Lui, Shirley	(removed on 5 December 2003)
Mr. Choi Sung Fung, Norman	(removed on 5 December 2003)
Ms. Ou Yirong	(removed on 5 December 2003)

#### Independent Non-executive Directors:

Mr. Yau Sui Ki, Christie	(appointed on 6 December 2003)
Mr. Lee Kwan Hung, Eddie	(appointed on 17 December 2003)

In accordance with Article 116 of the Company's New Articles of Association, Messrs U Keng Tin and Yau Sui Ki, Christie shall retire at the forthcoming annual general meeting. Mr. U Keng Tin does not offer himself for re-election while Mr. Yau Sui Ki, Christie, being eligible, offers himself for re-election. Moreover, Messrs Tsang Kam Ching, David, Zhao Ming and Lee Kwan Hung, Eddie shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election pursuant to Article 99 of the Company's New Articles of Association accordingly.

**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' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES**

Details of the Directors' remuneration and of the five highest paid employees in the Group are set out in notes 11 and 12 to the financial statements.

**DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

At 31 March 2004, 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	Number of shares		Number of underlying shares (warrants)		Total	Percentage of issued share capital
	Personal	Corporate	Personal	Corporate		
	interests	interests	interests	interests		
Mr. Chan Chun Hing, Kenneth	NIL	2,145,000,000	NIL	957,764,514	3,102,764,514	44.79 and 20 respectively

*Note:* Mr. Chan Chun Hing, Kenneth wholly owns Many Returns Limited, which was interested in 2,145,000,000 shares and 957,764,514 warrants in the Company, representing approximately 44.79% and 20% in the issued share of the Company respectively as at 31 March 2004. Many Returns Limited is a substantial shareholder of the Company and its shareholding in the Company is 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 2004.

## DIRECTORS INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the annual report, 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS

### Executive Directors

**Mr. Chan Chun Hing, Kenneth**, aged 40, joined the Company as an executive director and chief executive officer on 6 December 2003. Mr. Chan is a registered professional surveyor. He possesses a BSc degree from the U.K. and a MBA degree from Australia and has over 15 years working experience in Hong Kong and the Asia Pacific region. Mr. Chan is experienced in managing sizeable organizations including as Associate of Spence Robinson Ltd, a leading architectural firm in Hong Kong for 8 years. Following this, he was Senior Associate Director of Jones Lang LaSalle Ltd, a global company listed in the New York Stock Exchange for 5 years. Most recently, Mr. Chan was director and Head of the Hong Kong Office of CityAxis Ltd, a company listed in the Singapore Stock Exchange. Thereafter, Mr. Chan has been a director of Integrated Project Solutions Limited which is engaged in project consultancy services and a director of Many Returns Limited which is engaged in investments up till now.

**Mr. U Keng Tin**, aged 54, joined the Company as an executive director on 6 December 2003. Mr. U graduated from the University of San Francisco, USA and holds a Master Degree in International Economics. He has over 20 years experience in securities and stock brokerage businesses in the South-East Asia stock markets and possesses extensive experience in managing local and overseas brokerage firms. Since the early-1980's, Mr. U acted as dealing director of a brokerage firm and managed its daily operation. From year of 2000, Mr. U provides a range of consultancy services to securities companies.

**BIOGRAPHICAL DETAILS OF DIRECTORS** *(Continued)***Executive Directors** *(Continued)*

**Mr. Tsang Kam Ching, David**, aged 47, 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 6 (corporate finance) activity and is a director of Hooray Capital Limited. Mr. Tsang is also a fellow member of the Chartered Association of Certified Accountants in the United Kingdom and a member of the HKSA.

**Mr. Zhao Ming**, aged 55, joined the Company as an executive director on 17 February 2004. Mr. Zhao graduated from Beijing Normal University and held a Doctor Degree of Economics. He had been the Vice Chairman of 包頭市土地復墾總公司, Vice Chairman of 內蒙口岸房地產開發總公司 and Chairman of 包頭市口岸房地產開發集團. Mr. Zhao has over 20 years of experience in corporate management.

**Independent Non-executive Directors**

**Mr. Yau Sui Ki, Christie**, aged 31, has been appointed as an independent non-executive director of the Company since 6 December 2003. Mr. Yau is an experienced project manager and building surveyor. He was graduated from the City University of Hong Kong with a degree in building surveying. He has 6 years of experience in project management in Jones Lang LaSalle Ltd until July 2002 and is currently a director of Luyisi International Company Ltd which is engaged in trading of building materials.

**Mr. Lee Kwan Hung, Eddie**, aged 38, joined the Company as an independent non-executive director on 17 December 2003. Mr. Lee graduated from the University of Hong Kong in 1988 and obtained a Postgraduate Certificate in Laws in 1989. He was qualified as a solicitor in Hong Kong in 1991 and in England and Wales in 1997. He was a senior manager of the SEHK and is a partner of Messrs Woo, Kwan, Lee & Lo. Mr. Lee is also a non-executive director of Mirabell International Holdings Limited.

**SUBSTANTIAL SHAREHOLDERS**

In addition to the interests disclosed under the section headed "Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures", the following parties with interests representing 5% or more of the Company's issued shares 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 2004:

**SUBSTANTIAL SHAREHOLDERS** (Continued)**Long position in shares of the Company**

Name of shareholder	Capacity	Number of shares	Percentage of issued shares
Many Returns Limited (Note a)	Beneficial owner	2,145,000,000	44.79
Ocean Gain Limited (Note b)	Beneficial owner	1,033,000,000	21.57

Notes: (a) Many Returns Limited is wholly-owned by Mr. Chan Chun Hing, Kenneth, an executive director and chief executive officer of the Company.

(b) Ocean Gain Limited is wholly-owned by Mr. Fung Tsun Pong, an independent third party.

**Long position in underlying shares of the Company**

Name of shareholder	Capacity	Number of underlying shares		Percentage of issued shares
		Warrants	Convertible Note	
Many Returns Limited (Note a)	Beneficial owner	957,764,514	NIL	20.00
Miss Wang Liping (Note b)	Beneficial owner	NIL	500,000,000	10.44

Notes: (a) Many Returns Limited is wholly-owned by Mr. Chan Chun Hing, Kenneth, an executive director and chief executive officer of the Company.

(b) Miss Wang Liping is an independent third party.

**SHARE OPTION SCHEME**

The share option scheme ("Share Option Scheme") became effective on 30 September 1999 and, unless otherwise cancelled or amended, was to remain in force for 5 years from that date.

The outstanding options previously granted to the staff were not exercised and thus lapsed in the year ended 31 March 2003 in accordance with the terms of the Share Option Scheme. No Share Option has been exercised, cancelled or lapsed during the year ended 31 March 2004 or outstanding as at 31 March 2004.

Subsequent to the amendment of Chapter 17 of the Listing Rules with effect from 1 September 2001, no further share options were granted under the Share Option Scheme to any eligible employees of the Company or any of its subsidiaries (including executive directors and other officers of the Company or its subsidiaries) to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme.

### **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 since the resumption of trading on 15 December 2003 up to the date of this report.

### **MANAGEMENT CONTRACT**

Management agreement with a wholly-owned subsidiary of I-China Holdings Limited, a former substantial shareholder of the Company, as of 1 January 1995 were terminated on 30 January 2004. There was no management agreement as at 31 March 2004 and no management fee was payable for the year then ended.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

The Company has complied with the Code of Best Practice as set out in the Listing Rules, except that the independent non-executive directors of the Company were not appointed for specific term.

### **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 HKSA. 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 two independent non-executive directors of the Company, namely Messrs Lee Kwan Hung, Eddie and Yau Sui Ki, Christie.

Two meetings of the Audit Committee have been held after the completion of the Company's restructuring on 5 December 2003 to review the accounting policies and practices adopted by the Group and discuss the operation and the financial position of the Group, including a review of the audited financial statements for the year ended 31 March 2004.

## AUDITORS

Messrs Charles Chan, Ip & Fung CPA Ltd. have acted as auditors of the Company for the past three financial years. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Messrs Charles Chan, Ip & Fung CPA Ltd. as auditors of the Company.

On behalf of the Board

**Kenneth Chan**

*Director and Chief Executive Officer*

Hong Kong, 7 June 2004