

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 31st March, 2006.

Principal Activities

The Company acts as an investment holding company. The principal activity of its subsidiary is set out in note 27 to the financial statements.

Results

The results of the Group for the year ended 31st March, 2006 are set out in the consolidated income statement on page 18 of the annual report.

Investment Properties

The Group's investment properties were revalued as at 31st March, 2006 on an open market value existing use basis. The net increase in fair value of investment properties, which has been credited directly to income statement, amounted to HK\$1,440,000. Details of the movements during the year in investment properties of the Group are set out in note 13 to the financial statements.

A summary of the properties held for investment purposes by the Group at 31st March, 2006 is set out on page 48 of the annual report.

Directors and Directors' Service Contracts

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

Executive directors:

Zhang Hongwei — *Chairman*

Guan Guoliang

Zhu Jun (appointed on 20th October, 2005)

Zhang Meiyang (appointed on 19th June, 2006)

Wong Wing Ming (resigned on 30th June, 2006)

Independent non-executive directors:

Chau Siu Wai

San Fung

Zhu Chengwu (appointed on 5th December, 2005)

Chan Ka Si (resigned on 28th October, 2005)

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Pursuant to Bye-laws 87(1) and 87(2) of the Bye-laws, Mr. Zhang Hongwei shall retire by rotation and being eligible, will offer himself for re-election at the Annual General Meeting. Pursuant to Bye-law 86(2) of the Bye-laws, Messrs San Fung, Chau Siu Wai, Zhu Chengwu, Zhu Jun and Zhang Meiyang shall hold office until the Annual General Meeting and being eligible, will offer themselves for re-election at that meeting.

Mr. Guan Guoliang has informed the Company that he will retire after the conclusion of the Annual General Meeting.

There is no service contract entered into between the Company and the executive and independent non-executive directors and they are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years pursuant to the Bye-laws of the Company.

Directors' Interests in Shares

As at 31st March, 2006, the interests of the directors and their associates in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("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 position

Mr. Zhang Hongwei was interested in 48,169,125 shares of the Company, representing approximately 50.18% of the issued share capital of the Company as at 31st March, 2006. These shares were held by He Fu International Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zhang Hongwei.

Mr. Zhu Jun was interested in 1,443,000 shares of the Company, representing approximately 1.5% of the issued share capital of the Company as at 31st March, 2006.

Save as disclosed above, none of the directors, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st March, 2006.

Share Capital

Particulars of the Company's share capital are set out in note 21 to the financial statements.

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Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its subsidiary or holding company, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, its subsidiaries or holding company 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, except as announced.

Substantial Shareholders

As at 31st March, 2006, 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 long positions in the issued share capital of the Company.

Name of shareholder	Capacity	Number of shares held	%
He Fu International Limited	Beneficial owner	48,169,125	50.18
Newfield Resources Limited	Beneficial owner	8,400,000	8.75
Silver Ocean Finance Company Limited	Beneficial owner	6,842,200	7.13
Mr. Zhu Jun	Beneficial owner	1,443,000	1.50

All the interests stated above represent long positions. As at 31st March, 2006, no short positions were recorded in the register kept by the Company under Section 336 of the SFO.

Save as disclosed above, the Company has not been notified of any other interest or short position in the issued share capital of the Company as at 31st March, 2006.

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, having regard to the Company's operating results, individual performance and comparable market statistics.

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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.

Appointment 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 Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

Corporate Governance

In the opinion of the directors, the Company has complied throughout the year ended 31st March, 2006 with the Code on Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except as disclosed in the Corporate Governance Report.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st March, 2006.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 26 to the financial statements.

Auditors

The auditors, Messrs. Deloitte Touche Tohmatsu, will retire at the forthcoming annual general meeting. The Board of Directors will appoint new auditors soon.

On behalf of the Board

Zhang Hongwei
Chairman

Hong Kong, 17th July, 2006