

The Directors are pleased to present to the shareholders their annual report and audited financial statements of the Company and of the Group for the financial year ended 30 April 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings. The activities of the subsidiaries are set out in note 15 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 30 April 2005 are set out in the consolidated income statement on page 25.

DIVIDENDS

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company ("AGM") to be held on 5 October 2005 a final dividend of HK\$0.038 per share (approximately RMB0.039) (2004: HK\$0.02) to be payable on or about 19 October 2005 to those shareholders whose names appear on the register of members of the Company on 5 October 2005. Taking in account of the interim dividend of HK\$0.028 per share (2004: nil) and the proposed final dividend, total dividends for the year will amount to HK\$48,015,000 (approximately RMB50,066,000) (2004: HK\$12,450,000 (approximately RMB13,197,000)).

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 28 and note 27 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

DISTRIBUTABLE RESERVES

Reserves of the Company at 30 April 2005 available for distribution amounted to RMB616,163,000. The Company share premium account and contributed surplus, in the amount of RMB290,645,000 and RMB294,402,000 respectively are also available for distribution to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution of share premium and contributed surplus if (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

PRE-EMPTIVE RIGHT

There are no pre-emptive provisions under the Company's Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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.

DIRECTORS

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

Executive Directors

Mr. Sun Shao Feng (*Chairman and Managing Director*)

Mr. Huang Hua

Mr. Leung Kwok Fai Ben Rich

Mr. Kung Sze Wai

Independent Non-executive Directors

Mr. Lin Chuan Bi

Mr. Hu Ji Rong

Ms. Hu Bao Zheng

(appointed on 27 September 2004)

In accordance with Bye-law 87(1) of the Company's Bye-Laws, Mr. Kung Sze Wai shall retire from office as Director by rotation at the AGM and being eligible, offers himself for re-election.

In accordance with Bye-law 86(2) of the Company's Bye-Laws, Ms. Hu Bao Zheng, being Director appointed after the 2004 annual general meeting of the Company, shall retire and, being eligible, offers herself for re-election at the AGM.

INDEPENDENCE CONFIRMATION

The Company received annual confirmation of independence, from each of the independent non-executive Directors pursuant to Rule 3.13 of the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Sun Shao Feng, Mr. Leung Kwok Fai Ben Rich and Mr. Kung Sze Wai entered into a service agreement with the Company on 20 December 2003 for an initial term of three years commenced on 13 January 2004, the date of commencement of listing of the shares of the Company on the Stock Exchange and shall continue thereafter the expiration of the said three years term unless and until terminated by either party giving to the other not less than six months' notice in writing. These Directors are entitled to annual remuneration of HK\$1,200,000 (approximately RMB1,272,000) in aggregate and they are also entitled to participate into any bonus plan to be determined by the Board.

Mr. Huang Hua entered into a service agreement with the Company on 20 December 2003 for an initial term of two years commenced on 13 January 2004 and shall continue thereafter the expiration of the said two years term unless and until terminated by either party giving to the other not less than six month's notice in writing. Mr. Huang is entitled to an annual remuneration of HK\$120,000 (approximately RMB127,200) and he is also entitled to participate into any bonus plan to be determined by the Board.

Save as disclosed above, none of the Directors proposed for re-election at the AGM has unexpired service agreement which is determinable by the Company within one year without payment of compensation, other than statutory compensation.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

Profiles of Directors and senior executives of the Group are set out on pages 14 to 16.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 April 2005, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Long positions in shares of the Company

Name of Director	Type of interest	No. of ordinary shares	Percentage of issued share capital
Sun Shao Feng	Corporate	405,000,000	55.67%

Note:

These 405,000,000 ordinary shares of the Company are held through Capital Mate Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Sun Shao Feng.

Interests in share options

The Company adopted a share option scheme on 12 December 2003 ("Scheme"), pursuant to which the Board may, at its discretion, invite any eligible participants to take up options to subscribe for shares of the Company in aggregate not exceeding 30% of the shares in issue from time to time. During the year under review, no share options were granted under the Scheme.

Save as disclosed above, none of the Directors, chief executives or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the headings "Directors' and Chief Executives' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 April 2005, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Long positions in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital
Capital Mate Limited (Note 1)	Beneficial owner	405,000,000	55.67%
Kent C. McCarthy (Note 2)	Interest of controlled corporation	73,683,500	10.13%
Jayhawk China Fund (Cayman), Ltd. (Note 2)	Investment Manager	73,683,500	10.13%
Cheah Cheng Hye (Note 3)	Interest of controlled corporation	72,900,000	10.02%
Value Partners Limited (Note 3)	Investment Manager	72,900,000	10.02%
Lindsay William Ernest Cooper (Note 4)	Interest of controlled corporation	41,064,000	5.64%
Arisaig Greater China Fund Limited (Note 4)	Beneficial owner	41,064,000	5.64%
Arisaig Partners (Mauritius) Limited (Note 4)	Investment Manager	41,064,000	5.64%

Notes:

1. These 405,000,000 ordinary shares of the Company are held by Capital Mate Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Sun Shao Feng, the Chairman and Managing Director of the Company.
2. Mr. Kent C. McCarthy is deemed to be interested in these 73,683,500 ordinary shares of the Company which are held by Jayhawk China Fund (Cayman), Ltd., a company incorporated in the Cayman Islands and is controlled by Mr. Kent C. McCarthy.
3. Mr. Cheah Cheng Hye is deemed to be interested in these 72,900,000 ordinary shares of the Company which are held by Value Partners Limited, a company incorporated in the British Virgin Islands and is controlled by Mr. Cheah Cheng Hye.
4. Arisaig Greater China Fund Limited ("AGCFL") is a wholly-owned subsidiary of Arisaig Partners (Mauritius) Limited ("AP(M)"), which in turn is wholly-owned by Arisaig Partners (BVI) Ltd. ("AP(BVI)"). AP(BVI) is a wholly-owned subsidiary of Arisaig Partners (Holdings) Ltd. ("APHL") of which 33.33% is held by Madeleine Ltd. ("Madeleine"). Madeleine is wholly-owned by Mr. Lindsay William Ernest Cooper. AP(M), AP(BVI), APHL, Madeleine and Mr. Lindsay William Ernest Cooper are deemed to be interested in 41,064,000 ordinary shares in the Company held by AGCFL.

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Apart from the information disclosed under the heading "Connected Transactions" below, there was no other contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year, and in which a Director had, whether directly or indirectly, a material interest, nor there was any other contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the year ended 30 April 2005, none of the Directors of the Company is interested in any business which competes or is likely to compete, either directly or indirectly, with the Group business.

CONNECTED TRANSACTIONS

Significant related party transactions which also constitute connected transactions under the Listing Rules, entered into by the Group during the year are disclosed in note 30 to the financial statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 April 2005.

RETIREMENT SCHEME ARRANGEMENT

Particulars of the Group's retirement scheme are set out in note 11 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of purchases attributable to the Group's five largest suppliers in the year was, as last year, less than 30% of the Group's purchases.

The aggregate percentage of turnover attributable to the Group's five largest customers was approximately 32% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer was approximately 12% of the Group's turnover for the year.

None of the Directors, their associates or shareholders, who to the knowledge of the Directors own more than 5% of the Company's share capital, had an interest in any of the five largest customers.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 12 December 2003, and currently comprising of three independent non-executive Directors, Mr. Lin Chuan Bi, Mr. Hu Ji Rong and Ms. Hu Bao Zheng. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual reports and financial statements. During the year ended 30 April 2005, the Audit Committee held 2 meetings with the necessary quorum present to review with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. In addition, the Audit Committee has reviewed the final results for the year ended 30 April 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice ("Code") as set out in Appendix 14 to the Listing Rules throughout the year under review, except that the independent non-executive Directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

The Code was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

SUBSEQUENT EVENTS

There is no significant event subsequent to the balance sheet date as at 30 April 2005.

Directors' Report (continued)

AUDITORS

A resolution will be proposed at the AGM to re-appoint CCIF CPA Limited as auditors.

On behalf of the Board

Sun Shao Feng

Chairman

Hong Kong, 26 August 2005