



Asia Aluminum Industrial City



The directors have pleasure in presenting their report and the audited financial statements of the Company and of the Group for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consist of the manufacture and sale of aluminium and stainless steel products and the provision of design and testing services for aluminium products. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 30 June 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 37 to 88.

During the year, an interim dividend of HK1.2 cents per ordinary share was paid to the shareholders of the Company on 26 April 2004.

The directors recommend the payment of a final dividend of HK1.8 cents per ordinary share in respect of the year, to the shareholders whose names appear on the Register of Members on 29 November 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 5 of the annual report.

FIXED ASSETS

Details of the movements in the fixed assets of the Company and of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movements in the Company's share capital, share options and warrants during the year, together with reasons therefor, are set out in notes 29 and 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

SHARE PREMIUM ACCOUNT AND RESERVES

Details of the movements in the share premium account and reserves of the Company and of the Group during the year are set out in notes 31 and 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2004, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$318,418,000, as computed in accordance with the provisions of The Companies Act 1981 of Bermuda. In addition, the Company's share premium account, in an amount of HK\$1,606,563,000, may be distributed in the form of fully paid bonus shares.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's five largest customers accounted for less than 30% of the Group's total turnover.

Purchases from the five largest suppliers accounted for approximately 49% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 17% of the Group's total purchases.

As far as the directors are aware of, none of the directors, or any of their respective associates, or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive directors:

Mr. Kwong Wui Chun (*Chairman*)

Dr. Chan Yiu Tsuan, Benby (*Deputy chairman*)

Mr. Zhong Jianqiu

Mr. Hung Pann Yi (resigned on 15 August 2003)

Independent non-executive directors:

Mr. Ma Tsz Chun

Mr. Yau Wing Keung

Mr. Chou Shun, Alan (appointed on 6 September 2004)

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Zhong Jianqiu will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 115 of the Company's Bye-laws, Mr. Chou Shun, Alan will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

Except that Mr. Chou Shun, Alan was appointed for a term of three years from 6 September 2004 to 5 September 2007, all other independent non-executive directors are not appointed for specific term but are subject to retirement by rotation in accordance with the Company's Bye-laws.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 25 to 27 of the annual report.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors and five highest paid employees are set out in note 8 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

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

Each of Messrs. Kwong Wui Chun and Hung Pann Yi, executive directors of the Company, has entered into a service agreement dated 19 February 1998 (as amended by a deed of amendment dated 7 June 2001 and a supplemental agreement dated 1 April 2003 and in the case of Mr. Kwong Wui Chun, further amended by a supplemental agreement dated 20 September 2001) with the Company for an initial term of three years commencing 1 January 1998. On their initial expiry, these service contracts will each continue for successive periods of one year until terminated by not less than six months' written notice served by either party to the other. The service agreement of Mr. Hung Pann Yi terminated upon his resignation from office on 15 August 2003. In addition, Dr. Chan Yiu Tsuan, Benby, an executive director of the Company, has entered into a service contract dated 29 November 2002 with the Company. The service contract will continue until terminated by not less than six months' written notice served by either party to the other.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2004, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Directors	Nature of interest	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximate percentage of interest
Mr. Kwong Wui Chun	Personal	231,930,836	–	231,930,836	
	Corporate (note 1)	908,622,000	–	908,622,000	
	Family (note 2)	4,000,000	4,900,000	8,900,000	
				<u>1,149,452,836</u>	36.20%
Mr. Zhong Jianqiu	Personal	24,434,800	–	24,434,800	0.77%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)*Notes:*

- (1) The interest disclosed represents the corporate interest in 908,622,000 shares held by Viewlink Assets Limited, which is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Kwong Wui Chun, by virtue of Section 344(3) of the SFO.
- (2) The interest disclosed represents the family interest in 4,000,000 shares and 4,900,000 underlying shares in respect of the 4,900,000 share options granted by the Company to Ms. Li Chuk Kuan, spouse of Mr. Kwong Wui Chun by virtue of Section 344(1) of SFO. These share options were granted on 25 January 2002 and are exercisable during the period from 25 January 2002 to 24 January 2005 at an exercise price of HK\$0.56 per share.
- (3) All the interests disclosed above represent long position in the shares of the Company.

In addition to the above, certain directors have non-beneficial personal interests in certain subsidiaries incorporated in Hong Kong held for the benefit of the Company solely for the purposes of complying with the minimum shareholder requirement under the Hong Kong Companies Ordinance.

Save as disclosed above, as at 30 June 2004, none of the directors had any interests or short positions in the equity or debt securities of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' Interests and Short Positions in Shares and Underlying Shares" above and in the share option scheme disclosures in note 30 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age 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

Except as disclosed in note 4 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors of the Company has interest in a business which competes or may compete with the business of the Group.

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 in existence during the year.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2004, save as disclosed in the section headed "Directors' Interest and Short Positions in Shares and Underlying Shares" above for interest of Mr. Kwong Wui Chun and his associates including Viewlink Assets Limited, in shares and underlying shares of the Company, the following persons had an interest in the shares and the underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Capacity	Number of shares and underlying shares	Long/short position in shares	Approximate percentage of total issued shares
Morgan Stanley	Beneficial owner	290,248,000 1,644,000	Long Short	9.14% 0.05%
JP Morgan Chase & Co	Interest of a controlled corporation	220,743,191	Long (note)	6.95%

Note: The interest disclosed represents lending pool.

Save as disclosed above, as at 30 June 2004, there was no person (other than a director of the Company) who (i) had an interest or short position in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of any other member of the Group (other than the Company) or any options in respect of such capital.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting year covered by this annual report, except that certain independent non-executive directors of the Company are not appointed for a specific period as required by paragraph 7 of the Code of Best Practice, but are subject to retirement by rotation at the annual general meetings. In the opinion of the directors, this meets the same objective of the Code of Best Practice.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions and connected transactions of the Company and of the Group are set out in note 4 to the financial statements. In the opinion of the independent non-executive directors, these transactions were:

- (a) entered into by the Group in the ordinary and usual course of business;
- (b) conducted in accordance with the terms of the relevant agreements governing the transactions;
- (c) conducted on terms no less favourable than those available to/from independent third parties;
- (d) fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) where there is a limit on the amount of such transactions, the aggregate value of such transactions did not exceed the maximum limit imposed by the Stock Exchange.

The auditors of the Company have reviewed such transactions and confirmed in writing to the board of directors of the Company stating that:

- (a) such transactions have received the approval of the board of directors of the Company;
- (b) such transactions have been entered into in accordance with the terms of agreements and where applicable, the Group's pricing policies for such transactions; and
- (c) where there is a limit on the amount of such transactions, the aggregate value of such transactions did not exceed the maximum limit imposed by the Stock Exchange.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has established an audit committee, for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The audit committee currently comprises the three independent non-executive directors of the Company, namely Messrs. Ma Tsz Chun, Yau Wing Keung and Chou Shun, Alan.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Kwong Wui Chun
Chairman

Hong Kong
27 October 2004