

Report of the Directors

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 2005.

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 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 33 to 78.

The directors do not recommend the payment of any dividend for the year.

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 AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in notes 35 and 36 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 37 and 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2005, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$282,833,000, 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\$1,638,993,000, 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 43 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 38% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 15% 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 and CEO*)
 Mr. Zhong Jianqiu

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. Ma Tsz Chun will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

Mr. Chou Shun, Alan was appointed as director on 6 September 2004 for a term of three years from 6 September 2004 to 5 September 2007 subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company. For the two independent directors appointed by the Company in the prior years, namely Mr. Ma Tsz Chun and Mr. Yau Wing Keung, the Company has issued a letter of appointment dated 1 April 2005 to each of them for a term of three years from 1 April 2005 to 31 March 2008 subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 22 to 25 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.

Mr. Kwong Wui Chun, an executive director 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 2004 and 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 its initial expiry, this service agreement will continue for successive periods of one year until terminated by not less than six months' written notice served by either party to the other. 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 2005, 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 (the "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:

(a) The Company

Directors	Nature of interest	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximate percentage of interest as at 30 June 2005
Mr. Kwong Wui Chun	Personal	231,930,836	–	231,930,836	
	Corporate (<i>note 1</i>)	908,622,000	–	908,622,000	
	Family (<i>note 2</i>)	8,900,000	–	8,900,000	
				<u>1,149,452,836</u>	35.41%
Dr. Chan Yiu Tsuan, Benby	Personal (<i>note 3</i>)	–	5,000,000	5,000,000	0.16%
Mr. Zhong Jianqiu	Personal	24,434,800	–	24,434,800	
	Family (<i>note 4</i>)	–	5,000,000	5,000,000	
				<u>29,434,800</u>	0.91%

Notes: (1) The interest disclosed represents the corporate interest in respect of 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 respect of 8,900,000 shares held by Ms. Li Chuk Kuan, an employee of the Group and spouse of Mr. Kwong Wui Chun, by virtue of Section 344(1) of the SFO.

(3) The interest disclosed represents 5,000,000 underlying shares in respect of 5,000,000 share options granted by the Company to Dr. Chan Yiu Tsuan, Benby. These share options were granted on 6 July 2004 and are exercisable during the period from 6 July 2004 to 5 July 2007 at an exercise price of HK\$0.81 per share.

(4) The interest disclosed represents the family interest in 5,000,000 underlying shares in respect of 5,000,000 share options granted by the Company to Ms. Kuang Shun Feng, an employee of the Group and spouse of Mr. Zhong Jianqiu, by virtue of Section 344(1) of SFO. These share options were granted on 6 July 2004 and are exercisable during the period from 6 July 2004 to 5 July 2007 at an exercise price of HK\$0.81 per share.

(5) All the interests disclosed above represent long position in the shares of the Company.

(b) Associated corporation of the Company

(1) Mr. Kwong Wui Chun has beneficial interest in his personal capacity in 200,000 shares of US\$1.00 each in China Steel Development Company Limited ("CSD"), representing a 20% interest of CSD.

(2) 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

Save as disclosed above, as at 30 June 2005, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any 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 the 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

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 36 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 2005, save as disclosed in the section headed "Directors' interest and short position 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 interest as at 30 June 2005
Morgan Stanley	Interest of controlled corporations	263,468,000 1,238,000	Long Short	8.12% 0.04%
Mondrian Investment Partners Limited	Investment Manager	325,846,000	Long	10.04%
Penta Investment Advisers Limited	Investment Manager	162,924,000	Long	5.02%
Mr. John Zwaanstra (<i>Note</i>)	Interest of controlled corporation	162,924,000	Long	5.02%
Mr. Michael William Moore (<i>Note</i>)	Interest of controlled corporation	162,924,000	Long	5.02%

SUBSTANTIAL SHAREHOLDERS (Continued)

Note: Mr. John Zwaanstra and Mr. Michael William Moore are deemed to be interested in the Company's shares in which Penta Investment Advisers Limited is interested.

Save as disclosed above, as at 30 June 2005, so far as was known to the Directors, there was no person (other than a director or chief executive 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.

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, the continuing connected transactions in respect of sale of finished goods to Indalex Aluminum Solutions Group 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 the transactions regarding the sales of finished goods to Indalex Aluminum Solutions Group 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.

INDEPENDENCE 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 of Securities on the Stock Exchange ("Listing Rules"). The Company considers all of the independent non-executive directors are independent.

CODE OF BEST PRACTICE

The Company complied throughout the year ended 30 June 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was in force prior to 1 January 2005, save that certain non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-Laws of the Company.

On 1 April 2005, the Company had issued to those independent non-executive directors who were not appointed for specific term letters of appointment for a 3-year term of office subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its code of conduct regarding the directors’ securities transaction. Having made specific enquiry of all directors of the Company, they confirm that they complied with the required standard as set out in the Model Code during the year ended 30 June 2005.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 1 April 2005 which comprises three independent non-executive directors of the Company, namely Mr. Ma Tsz Chun, Mr. Yau Wing Keung and Mr. Chou Shun, Alan. The remuneration committee would meet at least annually to make recommendation to the Board on the Group’s remuneration policy including remuneration of directors and management.

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The existing members of the audit committee are Mr. Ma Tsz Chun, a certified public accountant, Mr. Yau Wing Keung and Mr. Chou Shun, Alan, the three independent non-executive directors of the Company. The annual results of the Group have been reviewed by the Audit Committee.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company was maintained the prescribed public float under the Listing Rules throughout the year ended 30 June 2005.

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 2005