

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities and other particulars of the Company's significant subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2004 are set out in the consolidated income statement on page 20.

The states of affairs of the Group and the Company as at 30 June 2004 are set out in the balance sheets on page 21 and page 22 respectively.

The cashflows of the Group are set out in the statement on pages 24 to 25.

The directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year.

FIVE YEAR 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 68.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the share capital, share options and warrants of the Company during the year are set out in note 32 to the financial statements.

RESERVES

Details of movements in the reserve of the Group and the Company during the year are set out in note 33 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Group and the Company in issue during the year are set out in note 29 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors in office during the financial year ended 30 June 2004 and those as at the date of this report were:

Executive directors

Yu Kam Kee, Lawrence, M.B.E., J.P.	(appointed on 24 August 2004)
Carl Chang	(appointed on 24 August 2004)
Yu Kam Yuen, Lincoln	(appointed on 24 August 2004)
Liao Chongde	
Wu Jiahong	
Zhang Yiwei	(resigned on 24 August 2004)
Lee Kwok Leung, Alan	(resigned on 24 August 2004)
Hu Yidong	(resigned on 24 August 2004)

Independent non-executive directors

Li Fui Lung, Danny	
Ng Hoi Yue, Herman	
John Paul McLellan	(appointed on 30 September 2004)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)

Pursuant to Bye-law 86 of the Company's bye-laws, Mr. Yu Kam Kee, Lawrence, Mr. Carl Chang, Mr. Yu Kam Yuen, Lincoln and Mr. John Paul McLellan, who were appointed by the Board of Directors, shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at that meeting.

Pursuant to Bye-law 87 of the Company's bye-laws, Mr. Ng Hoi Yue, Herman shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election at that meeting.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received from the independent non-executive directors written confirmations that they comply with the requirements of independence as set out in rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance 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, which subsisted at the end of the financial year or at any time during the financial year.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 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 or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) Shares

As at 30 June 2004, none of the directors has any interests in the share capital of the Company and its associated corporations as defined in Section 352 of the SFO.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(B) Share Options

The Company has a share option scheme under which the directors may, at their discretion, grant options to employees, including any directors of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated therein.

As at 30 June 2004, the outstanding share options granted to a director of the Company were as follows:

Name of director	Exercisable on or after	Exercise price HK\$	No. of share options		
			Outstanding as at 1 July 2003	Lapsed during the period	Outstanding as at 30 June 2004
Wu Jiahong	20 February 2003	0.017	50,000,000	–	50,000,000

Save as aforesaid and other than certain nominee shares in subsidiaries held by directors in trust for the Group, as at 30 June 2004, to the knowledge of the Company, none of the Directors nor the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which has been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO and have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right, save as the share options disclosed in the previous section headed "Directors' Interest in Shares, Underlying Shares and Debentures".

PROFILE OF DIRECTORS

Profile of Directors of the Company as at the date of the report are set out on pages 15 to 16.

INTEREST AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

So far as is known to any director or chief executive of the Company, as at 30 June 2004, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Number of ordinary shares held Corporate interest	Approximate shareholding percentage
Achieve Well Group Limited	2,872,938,146	27.07%
Hu Man Grace (Note 1)	2,872,938,146	27.07%
Accurate Sino Holdings Limited (Note 4)	1,508,960,000	14.22%
Lu Chieh-kang (Note 2)	1,508,960,000	14.22%
Tung Fong Hung Finance (HK) Company Limited (Note 4)	700,000,000	6.59%
Chan Kwok Keung, Charles (Note 3)	700,000,000	6.59%
Chinaview International Limited (Note 3)	700,000,000	6.59%
Galaxyway Investments Limited (Note 3)	700,000,000	6.59%
ITC Corporation Limited (Note 3)	700,000,000	6.59%
ITC Investment Group Limited (Note 3)	700,000,000	6.59%
Victory Rich Ltd. (Note 3)	700,000,000	6.59%
Ng Yuen Lan, Macy (Note 3)	700,000,000	6.59%

Notes:

1. Achieve Well Group Limited is wholly owned by Ms. Hu Man Grace, and therefore, Ms. Hu Man Grace was deemed to be interested in 2,872,938,146 shares of the Company held by Achieve Well Group Limited.
2. Accurate Sino Holdings Limited is wholly owned by Mr. Lu Chieh-kang, and therefore, Mr. Lu Chieh-kang was deemed to be interested in 1,508,960,000 shares of the Company held by Accurate Sino Holdings Limited.
3. Tung Fong Hung Finance (HK) Company Limited ("Tung Fong Hung Finance") had interests in 700,000,000 shares of the Company as security interests.

Dr. Chan Kwok Keung, Charles owns the entire interest of Chinaview International Limited ("Chinaview") which in turn owns the entire interest in Galaxyway Investments Limited ("Galaxyway").

Galaxyway owns more than one-third of the entire issued ordinary share capital of ITC Corporation Limited ("ITC Corporation"). ITC Corporation owns the entire interest of ITC Investment Group Limited ("ITC Investment"). ITC Investment owns the entire interest in Victory Rich Ltd. ("Victory Rich"). Victory Rich owns the entire interest of Tung Fong Hung Finance. Ms. Ng Yuen Lan, Macy is the spouse of Dr. Chan Kwok Keung, Charles. Accordingly, Victory Rich, ITC Investment, ITC Corporation, Galaxyway, Chinaview, Chan Kwok Keung, Charles and Ng Yuen Lan, Macy are deemed to have security interests in 700,000,000 shares of the Company interested by Tung Fong Hung Finance.

4. Accurate Sino Holdings Limited has mortgaged, charged and assigned 700,000,000 shares of the Company to Tung Fong Hung Finance.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2004.

CONVERTIBLE BONDS, SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Details of the convertible bonds of the Company in issue during the year are set out in note 29 to the financial statements.

Other than the convertible bonds and share options set out in notes 29 and 15 to the financial statements, the Company had no other outstanding convertible bonds, securities, options, warrants or similar rights as at 30 June 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 61% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 24% of the Group's purchases. In addition, 58% of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounting for 44% of the Group's turnover.

As at 30 June 2004, to the knowledge of the directors of the Company, none of the directors, their associates or any shareholders owing more than 5% of the Company's share capital had any beneficial interests in the Group's five largest suppliers and customers.

SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in note 37 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the financial year ended 30 June 2004 with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

AUDITORS

A resolution to re-appoint Messrs. HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Yu Kam Kee, Lawrence
MBE, JP
Chairman

Hong Kong, 27 October, 2004