

Report of the Directors

The board of directors present their annual report and the audited financial statements for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 12 to the financial statements.

RESULTS

The results of the Group for the year ended 30 June 2004 are set out in the consolidated income statement on page 16.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest customer of the Group by itself and together with the next four largest customers accounted for about 92% and 99% respectively of the Group's turnover.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for about 96% and 99% respectively of the Group's purchases.

None of the directors of the Company, any of their associates, or any shareholders (which to the best knowledge of the directors owns more than 5% of the Company's issued share capital) have any beneficial interest in the Group's five largest customers or suppliers.

INVESTMENT PROPERTIES

Details of the investment properties of the Group as at 30 June 2004 are set out on page 48 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company during the year are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 19 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 19 and in note 20 to the financial statements respectively.

DIRECTORS

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

Executive directors:

Mr. Zhang Yang

Mr. Lam Cheung Shing, Richard

Mr. Yu Rui (resigned on 1 June 2004)

Independent non-executive directors:

Mr. Tam Sun Wing

Mr. Ko Ming Tung, Edward (appointed on 29 March 2004)

Mr. Ng Ge Bun (appointed on 30 September 2004)

Mr. Tso Shiu Kei, Vincent (resigned on 29 March 2004)

The directors of the Company, including the executive and independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with clauses 87 (1) and 87(2) of the Company's Bye-laws.

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

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

At 30 June 2004, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "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 positions – ordinary shares of HK\$0.1 each of the Company

Name of director	Capacity	Number of shares held as corporate interests	Percentage of the issued share capital of the Company
Mr. Zhang Yang	Corporate (<i>Note</i>)	750,000,000	20.02%

Note: These shares are held by Sourcebase Developments Limited, a company beneficially owned by Mr. Zhang Yang.

Save as disclosed above, none of the directors or their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 30 June 2004.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the financial statements.

No share options were granted or exercised under the share option scheme during the year.

ARRANGEMENTS 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 of the Company 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 OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Save as for the transactions disclosed in note 30 to the financial statements, 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, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than interest disclosed above in respect of the director, Mr. Zhang Yang, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company.

Long positions – ordinary shares of HK\$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Yan Li Yan	Personal	423,120,000	11.29%

Save as the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 30 June 2004.

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.

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.

Report of the Directors

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30 June 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 29 to the financial statements.

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhang Yang

Chairman

18 October 2004