

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entity are set out in notes 37, 14 and 15 to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate purchases and turnover attributable to the Group's five largest suppliers and customers represented less than 30% of the Group's total purchases and turnover respectively.

RESULTS

The results of the Group for the year ended 30th June, 2004 are set out in the consolidated income statement on page 11.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 59.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital and share options of the Company are set out in note 24 to the financial statements.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

George Han Hsiao Yue	(appointed on 22nd April, 2004)
Liu Yangu	(appointed on 13th March, 2004)
Ka Ying	(appointed on 26th July, 2004)
Yang Yingsong	(appointed on 26th March, 2004 and resigned on 26th July, 2004)
Wen Tong Yun	(appointed on 26th July, 2004 and resigned on 28th September, 2004)
Jackson Kung Ming Foo	(resigned on 20th February, 2004)
Fung See Man	(resigned on 9th March, 2004)
Savio Kwong Chi Shing	(resigned on 10th June, 2004)
Bruce Cheung Kang Tong	(resigned on 21st October, 2004)

Non-executive director:

Liu Cho Chit	(resigned on 22nd March, 2004)
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Independent non-executive directors:

Li Xinzhong	(appointed on 9th March, 2004)
Tian Jianli	(appointed on 30th March, 2004)
Li Zheng	(appointed on 27th September, 2004)
Michael Kan Yuet Yun	(resigned on 9th March, 2004)
Gerald Godfrey	(resigned on 11th October, 2004)

In accordance with Article 86(B) of the Company's articles of association, George Han Hsiao Yue, Liu Yangu, Ka Ying, Li Xinzhong, Tian Jianli and Li Zheng retired and were re-elected as directors at the annual general meeting of the Company held on 21st December, 2004.

None of the directors re-elected at the said annual general meeting 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 term of office of independent non-executive directors are subject to reappointment or retirement by rotation in accordance with Articles 86(B), 87 and 88 of the Company's articles of association.

DIRECTORS' INTERESTS IN SHARES

At 30th June, 2004, none of the directors nor their associates had any interests or short positions in any shares of the Company or any of its associated corporations, except Ka Ying deems to be interested in 9,800 shares representing 49% of the issued capital of Global King Investments Limited, an associated corporation of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

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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 share in, or debenture of the Company or any other body corporate and none of the directors, or 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 during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Ordinary shares of HK\$0.02 each of the Company

1. Long positions

Name	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Worth Achieve Assets Limited	Beneficial owner	480,000,000	15.24
Jonathan Lau	(Note 1)	562,702,500	17.87
Tat Cheong Limited	Beneficial owner	405,000,000	12.86
Chen ShiKang	(Note 2)	405,000,000	12.86
Kingston Finance Limited	Beneficial owner	480,000,000	15.24
Ma Siu Fong	(Note 3)	480,000,000	15.24
Chu Yuet Wah	(Note 4)	480,000,000	15.24

Notes:

- Jonathan Lau is interested by virtue of his beneficial interest in Worth Achieve Assets Limited. He also holds 82,702,500 ordinary shares in the Company personally.
- Chen ShiKang is interested by virtue of his beneficial interest in Tat Cheong Limited.
- Ma Siu Fong is interested by virtue of her beneficial interest in Kingston Finance Limited.
- Chu Yuet Wah is interested by virtue of her beneficial interest in Kingston Finance Limited.

2. Short positions

Name	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Worth Achieve Assets Limited	480,000,000	15.24
Jonathan Lau	480,000,000	15.24

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions representing 5% or more of the issued share capital of the Company as at 30th June, 2004.

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CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance subsisted at any time during the year 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.

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

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th 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.

AUDIT COMMITTEE

The members of the Audit Committee are Li Xinzhong, Tian Jianli and Li Zheng, all of whom are independent non-executive directors. The Audit Committee has reviewed the interim and annual reports of the Group for the financial year under review and Audit Committee meetings were held twice during the financial year.

AUDITORS

Messrs. Deloitte Touche Tohmatsu retired and a resolution was passed at the annual general meeting of the Company held on 21st December, 2004 for their re-appointment.

On behalf of the board

George Han Hsiao Yue

Chief Executive Officer

Hong Kong, 29th December, 2004