

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in investment holding, treasury investments and the provision of mortgage finance and other related services. The principal activities and other particulars of the Company's subsidiaries are set out in Note 20 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 turnover and results by principal activity and geographical area for the year ended 31st December, 2004 is set out in Note 4 to the financial statements.

RESULTS AND DIVIDENDS

The results and details of cash flows of the Group for the year ended 31st December, 2004 and the state of affairs of the Group and the Company as at 31st December, 2004 are set out in the financial statements on pages 18 to 43.

The Directors have resolved not to recommend the payment of any final dividend for the year ended 31st December, 2004 (2003 – Nil). No interim dividend was declared for the year (2003 – Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years ended 31st December, 2004, as extracted from the audited consolidated financial statements, is set out on page 44.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 12 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 18 to the financial statements.

RESERVE

Details of movements in the reserve of the Company and of the Group during the year are set out in Note 19 to the financial statements and the Consolidated Summary Statement of Changes in Equity, respectively.

As at 31st December, 2004, there were no reserves of the Company available for distribution, calculated in accordance with Section 79B of the Companies Ordinance (2003 – Nil).

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 20 to the financial statements.

DIRECTORS

The Directors of the Company during the year were:

Non-executive Directors

Mr. Ning Gaoning (*Chairman*)

Mr. Wai Lam Chan

Mr. Leon Nim Leung Chan (re-designated as non-executive Director from independent non-executive Director on 30th September, 2004)

Mr. Michael Kwok Shung Chan (re-designated as non-executive Director from independent non-executive Director on 30th September, 2004)

Executive Directors

Mr. David T. Yeh

Mr. Jark Pui Lee, O.B.E., J.P.

Mr. Jonathan Miles Foxall

Mr. Tai Chiu Ng

Independent non-executive Directors

Dr. Nai Kong Leung, B.B.S., J.P. (appointed on 30th September, 2004)

Mr. King Fai Tsui (appointed on 30th September, 2004)

Mr. Victor Ha Kuk Yung (appointed on 30th September, 2004)

DIRECTORS *(Continued)*

In accordance with Article 110 of the Company's Articles of Association, Dr. Nai Kong Leung and Messrs. King Fai Tsui and Victor Ha Kuk Yung will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 120 of the Company's Articles of Association, Messrs. Michael Kwok Shung Chan and Tai Chiu Ng will retire from office by rotation at the forthcoming annual general meeting. Mr. Tai Chiu Ng, who being eligible, will offer himself for re-election. Mr. Michael Kwok Shung Chan will retire from office by rotation at the forthcoming annual general meeting and not offer himself for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company considers such Directors to be independent.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ning Gaoning, aged 46, was appointed Chairman of the Company in August 1998. He holds a Bachelor of Arts degree in Economics from Shandong University in China and a Master of Business Administration degree in Finance from the University of Pittsburgh in the United States of America. He is currently the Chairman of China National Cereals, Oils and Foodstuffs Corporation and COFCO International Limited, and a director of BOC International Holdings Limited as well as a non-executive director of SABMiller plc. He is also a Director of Lippo China Resources Limited ("LCR").

Mr. Leon Nim Leung Chan, aged 49, was appointed an independent non-executive Director of the Company in December 1994 and was re-designated as a non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and is a member of the Solicitors Disciplinary Tribunal. Mr. Chan was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He is also a non-executive Director of Lippo Limited ("Lippo"), LCR and Hongkong Chinese Limited ("HKCL") and an independent non-executive Director of Auric Pacific Group Limited.

Mr. Michael Kwok Shung Chan, aged 44, was appointed an independent non-executive Director of the Company in March 2002 and was re-designated as a non-executive Director of the Company in September 2004. He holds a Bachelor of Laws degree from The University of Hong Kong and a Master of Business Administration degree from the University of Western Ontario, Canada. Mr. Chan is a practising solicitor and presently a consultant of the international law firm Jones Day. He was admitted as a solicitor in Hong Kong in 1986 and a solicitor in England in 1990. He is also a notary public of Hong Kong.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Mr. David T. Yeh, aged 53, was appointed a Director of the Company in August 2000. He holds a Bachelor of Arts degree from St. John's University in Minnesota, the United States of America. He has over 20 years' experience in retail, commercial and merchant banking in Hong Kong and the United States of America. Mr. Yeh is also a Director of Lippo, First Tower Corporation, Skyscraper Realty Limited, No. 1 Dragon Ltd. ("No. 1 Dragon") and HKCB Corporation Limited ("HKCB Corporation").

Mr. Jark Pui Lee, O.B.E., J.P., aged 65, was appointed a Director of the Company in August 2000. Mr. Lee holds a Bachelor of Arts degree (Hons) from The University of Hong Kong. Mr. Lee worked for the Hong Kong Government and was the Secretary-General of The Chinese Manufacturers' Association of Hong Kong. He has served and contributed to the local community for over 30 years. Mr. Lee is currently the Chairman of The Legal Aid Services Council, The Agency for Volunteer Service and the Hong Kong Council of Volunteering. Mr. Lee is also a Director of Lippo.

Mr. Jonathan Miles Foxall, aged 51, was appointed a Director of the Company in August 2000. He is also a Director of No. 1 Dragon and HKCB Corporation. Mr. Foxall holds a Bachelor of Arts degree in Geography from Liverpool University in the United Kingdom. He is a Fellow of the Royal Institute of Chartered Surveyors and a Fellow of the Hong Kong Institute of Surveyors. Mr. Foxall has 29 years' experience in the property industry, of which 19 years have been spent in Hong Kong.

Mr. Tai Chiu Ng, aged 51, was appointed a Director of the Company in August 2000. He is a qualified accountant. Mr. Ng holds a master's degree in Business (Electronic Commerce) from Curtin University of Technology in Australia, a master's degree in International Banking and Financial Studies from the Heriot-Watt University in the United Kingdom and a doctor's degree in Business Administration from the University of Hull in the United Kingdom. Mr. Ng is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Ng has over 20 years' experience in the accounting and corporate finance field in Hong Kong.

Mr. Wai Lam Chan, aged 60, holds a Bachelor of Arts degree from The University of Hong Kong. He joined the Company in 1968 and was appointed a Director of the Company in March 1991. Mr. Chan has over 20 years' experience in mortgage loan lending.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Dr. Nai Kong Leung, B.B.S., J.P., aged 62, was appointed an independent non-executive Director of the Company in September 2004. Dr. Leung is a respected medical practitioner with extensive expertise experience in Paediatrics. He was the Hospital Chief Executive of Princess Margaret Hospital and had served and contributed to Princess Margaret Hospital for over 20 years. Dr. Leung is currently an Honorary Professor of The University of Hong Kong and The Chinese University of Hong Kong. He is also an Honorary Consultant of Princess Margaret Hospital and Kwong Wah Hospital. Dr. Leung has been active in public and community services and is a member of various community bodies. He is the Medical Consultant of Children's Cancer Foundation and Council Member of Hong Kong Red Cross and The Spastics Association of Hong Kong. He is also the Chairman of Council for the AIDS Trust Fund, National Committee for the Certification of Wild Poliovirus Eradication, and Scientific Committee on Vaccine Preventable Diseases, Centre for Health Protection, Department of Health, and a member of Town Planning Board. Dr. Leung was awarded the Bronze Bauhinia Star of Hong Kong Special Administrative Region in 2000.

Mr. King Fai Tsui, aged 55, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui is the managing director of a financial services company in Hong Kong. He has extensive experience in finance, management and investment management, particularly in investments in mainland China. He worked for two leading audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accounting degree and a Bachelor of Business Administration degree with first class honour. Mr. Tsui is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He is also a member of the finance committee of the Construction Industry Training Authority in Hong Kong. Mr. Tsui is also an independent non-executive director of Lippo, LCR, HKCL and AcrossAsia Limited.

Mr. Victor Ha Kuk Yung, aged 51, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and has served in management positions in various multinational companies in Hong Kong, mainland China, Taiwan and Singapore. He has also sat on the boards of several listed companies in Hong Kong and Singapore as their independent director and member of the audit committees. He is an independent non-executive director of Wanji Pharmaceutical Holdings Limited. He was appointed a member of the listings sub-committee of the Stock Exchange of Singapore from 1998 to 1999. Mr. Yung is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Certified Public Accountants of Singapore and the Association of Chartered Certified Accountants of the United Kingdom. He is also an independent non-executive director of Lippo, LCR and HKCL.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December, 2004, the interests or 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 (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code") were as follows:

1. *Interests in shares of the Company's associated corporations*

Lippo Limited

Name of Director	Number of ordinary shares of HK\$0.10 each			Approximate percentage of total interests in the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Total interests	
Jark Pui Lee	–	48	48	0.00

Hongkong Chinese Limited

Name of Director	Number of ordinary shares of HK\$1.00 each			Approximate percentage of total interests in the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Total interests	
Jark Pui Lee	350	350	700	0.00
King Fai Tsui	–	50,000	50,000	0.00

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (Continued)

2. *Interests in underlying shares of the Company's associated corporation*

Lippo China Resources Limited

Name of Director	Capacity and nature of interest	Number of underlying shares of HK\$0.10 each in respect of which options have been granted*	Approximate percentage of the issued share capital
Jonathan Miles Foxall	Personal (held as beneficial owner)	6,000,000	0.06
David T. Yeh	Personal (held as beneficial owner)	9,000,000	0.09

* The options were granted on 23rd June, 1997 at a consideration of HK\$1.00 per grantee under the Share Option Scheme for Employees (the "LCR Share Option Scheme") adopted by Lippo China Resources Limited ("LCR"). Such options vested after two months from the date when the options were deemed to be granted and accepted and are exercisable from 23rd August, 1997 to 23rd June, 2007 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares in LCR at an initial exercise price of HK\$5.30 per share (subject to adjustment). Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each option is entitled to subscribe for six ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.883 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year and the quantity of options held by each of the above Directors as at 1st January, 2004 and 31st December, 2004 remained unchanged.

The above interests in the underlying shares were held pursuant to unlisted physically settled equity derivatives. As at 31st December, 2004, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2004, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (Continued)

Save as disclosed herein, as at 31st December, 2004, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted) were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31st December, 2004, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other persons, other than Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") as follows:

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in the shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of the issued share capital
<i>Substantial shareholders:</i>		
Lippo China Resources Limited ("LCR")	168,313,038	74.80
Lippo Limited ("Lippo")	168,313,038	74.80
Lippo Cayman Limited ("Lippo Cayman")	168,313,038	74.80
Lanius Limited ("Lanius")	168,313,038	74.80
Dr. Mochtar Riady	168,313,038	74.80
Madam Lidya Suryawaty	168,313,038	74.80
<i>Other persons:</i>		
CITIC Ka Wah Bank Limited ("CITIC Ka Wah")	11,250,000	5.00
CITIC International Financial Holdings Limited ("CIFH")	11,250,000	5.00
China International Trust and Investment Corporation ("CITIC") (now known as CITIC Group)	11,250,000	5.00

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE *(Continued)*

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in the shares of the Company *(Continued)*

Note:

- (i) 168,313,038 ordinary shares of the Company were held by HKCB Corporation Limited directly as beneficial owner which was wholly owned by LCR through its wholly-owned subsidiary, No. 1 Dragon Ltd. LCR was a 71.13 per cent. owned subsidiary of Skyscraper Realty Limited which in turn was a wholly-owned subsidiary of First Tower Corporation ("First Tower"). First Tower was a wholly-owned subsidiary of Lippo. Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited (which owned approximately 50.47 per cent. interest in the issued share capital of Lippo), J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in approximately 57.34 per cent. of the issued share capital of Lippo.
- (ii) Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust included Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.
- (iii) LCR's interests in the ordinary shares of the Company were recorded as the interests of Lippo, Lippo Cayman, Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty.
- (iv) 11,250,000 ordinary shares of the Company were held by CITIC Ka Wah directly as beneficial owner. CITIC Ka Wah was a wholly-owned subsidiary of CIFH which in turn was a 56 per cent. owned subsidiary of CITIC.

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2004, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors of the Company was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DIRECTORS' SERVICE CONTRACTS

No Director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

During the year, the Company and the Group had the following continuing connected transactions:

On 16th December, 2002, a tenancy agreement (the "Tenancy Agreement") was entered into between the Company and Prime Power Investment Limited ("Prime Power"), a wholly-owned subsidiary of Lippo China Resources Limited ("LCR") which in turn is the intermediate holding company of the Company, pursuant to which Prime Power agreed to let to the Company a portion of Room 2301, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of 3,316 square feet for a term of two years from 1st February, 2003 to 31st January, 2005, both days inclusive, at a monthly rental of HK\$55,709, exclusive of rates, service charges and all other outgoings, for office use. During the year, the Company paid rental expenses of HK\$669,000 (2003 – HK\$721,000) to Prime Power. The rental was determined by reference to the then prevailing open market rentals. Pursuant to the waiver granted by The Stock Exchange of Hong Kong Limited in February 2003, the independent non-executive Directors have confirmed that (i) the above tenancy was entered into in accordance with the terms of the Tenancy Agreement by the relevant parties in the ordinary and usual course of their business; (ii) the above tenancy was undertaken on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and (iii) the rental paid in respect of the Tenancy Agreement for the year did not exceed the cap amount as stated in the above waiver. The auditors of the Company have also confirmed that (i) the Tenancy Agreement has received the approval of the Board of Directors of the Company; (ii) the Tenancy Agreement is in accordance with the pricing policies stated in the financial statements of the Company; (iii) the above tenancy was entered into in accordance with the terms of the Tenancy Agreement; and (iv) the rental paid did not exceed the rental as agreed in the Tenancy Agreement.

Subsequent to the balance sheet date, on 16th March, 2005, standard trading accounts agreements were entered into between the Company (for itself and its subsidiaries) and each of Lippo Securities Limited ("Lippo Securities") and Lippo Futures Limited ("Lippo Futures"), both are wholly-owned subsidiaries of Hongkong Chinese Limited which in turn is a subsidiary of LCR. Pursuant to the above trading accounts agreements, the Company and/or its subsidiaries would make securities and/or futures investments through trading accounts operated by Lippo Securities and Lippo Futures for a term commencing from 31st March, 2004 to 31st December, 2006 with trading commissions paid and payable to Lippo Securities and Lippo Futures in respect of trading of securities and futures based on the relevant market rates at the time of each transaction. During the year, no futures transactions were entered into in accordance with the trading accounts agreement relating to trading of futures. Commissions paid to Lippo Securities during the year amounted to HK\$803,000 (2003 – HK\$441,000). The independent non-executive Directors have confirmed that the said securities and futures transactions (if any) have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the above trading accounts agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company has also confirmed that (i) the above trading accounts agreements have received the approval of the Board of Directors of the Company; (ii) the said securities transactions were entered into in accordance with the terms of the trading accounts agreement relating to trading of securities; and (iii) the aggregate commissions receivable by Lippo Securities did not exceed the cap as disclosed in the announcement dated 16th March, 2005.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

Save as disclosed herein and in Note 23 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders of the Company or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 7 to the financial statements.

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

During the year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and that of sales attributable to the Group's five largest customers combined was less than 30 per cent. of the Group's aggregate purchases and sales, respectively.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's retirement benefit costs charged to the consolidated profit and loss account for the year are set out in Note 8 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. On 30th September, 2004, Dr. Nai Kong Leung and Messrs. King Fai Tsui and Victor Ha Kuk Yung, who were appointed independent non-executive Directors of the Company, were appointed as members of the Committee. The members of the Committee comprises five non-executive Directors, namely Dr. Nai Kong Leung, Messrs. King Fai Tsui, Victor Ha Kuk Yung, Leon Nim Leung Chan and Michael Kwok Shung Chan. The Committee meets regularly. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited financial statements for the year ended 31st December, 2004.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31st December, 2004, except that non-executive Directors (other than the three independent non-executive Directors appointed during the year with a term of two years) were not appointed for a specific term as required by paragraph 7 of the Code. Save for Mr. Ning Gaoning who is the Chairman of the Company, all the non-executive Directors are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code for securities transactions by Directors during the year. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

The financial statements for the year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Jark Pui Lee

Director

Hong Kong, 17th March, 2005