

The directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of the Company's subsidiaries and infrastructure joint ventures are set out in notes 12 and 13 to the financial statements respectively.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 14.

### **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2004 (2003: nil).

### **PROPERTY, PLANT AND EQUIPMENT**

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

### **SHARE CAPITAL**

Details of the authorised and issued share capital of the Company are set out in note 18 to the financial statements.

There was no movement in the Company's share capital during the year.

### **CONVERTIBLE NOTES**

Details of the convertible notes of the Company are set out in note 17 to the financial statements.

There was no movement in the Company's convertible notes during the year.

### **DISTRIBUTABLE RESERVES**

At the balance sheet date, the Company has no reserve available for distribution to the shareholders.

## DIRECTORS AND DIRECTORS' SERVICES CONTRACTS

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

### **Executive directors:**

Cheng Yung Pun (*Chairman*)  
Yu Sui Chuen  
Cheng Wing See, Nathalie

### **Independent non-executive directors:**

Au-Yeung Tsan Pong, Davie  
Fung Ka Choi  
Wong Chu Fung (appointed on 30th September, 2004)

In accordance with clause 87(1) and 87(2) of the Company's Bye-laws, Mr. Fung Ka Choi will retire and, being eligible, offers himself for re-election at the forthcoming annual general meeting. In accordance with clause 86(2) of the Company's Bye-laws, Mr Wong Chu Fung will retire and being eligible, offers himself for re-election at the forthcoming annual general meeting.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

None of the directors 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.

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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2004, the interests and short positions of the directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

### (a) Long positions of ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Yung Pun	Controlled corporation ( <i>Note</i> )	325,500,000	68.55%

*Note:*

These shares are held by Leading Highway Limited ("Leading Highway"), a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is wholly owned by Mr. Cheng Yung Pun.

### (b) Convertible Notes

In addition, Leading Highway holds the entire interest of the convertible notes of the Company in an amount of HK\$18,000,000. The convertible notes can be converted into ordinary shares of HK\$0.10 each in the Company at any time prior to the maturity date at the initial conversion price of HK\$0.10 per share (subject to adjustments).

Save as disclosed above, none of the directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2004.

## SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company pursuant to the written resolution of the sole shareholder passed on 14th August, 2002. Particulars of the Share Option Scheme are set out in note 23 to the financial statements.

There has been no option granted since the adoption of the Share Option Scheme.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year was the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company 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 and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the directors have any interests in competing business to the Group.

## **DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTION**

Details of the discloseable connected transaction for the year are set out in note 25 to the financial statements. Other than as disclosed therein, no contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

Other than the interests disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above in respect of Mr. Cheng Yung Pun, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interest or short position in the shares and underlying shares of the Company and its associated corporations as at 31st December, 2004.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed shares of the Company.

## **MANAGEMENT CONTRACTS**

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or existed.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The Group had no major customers due to the nature of the principal activities of the Group.

Aggregate operating and administrative expense attributable to the Group's five largest suppliers were less than 30% of total operating and administrative expenses for the year.

At no time during the year did any director, any associate of a director, or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's share capital, have any beneficial interests in these customers or suppliers.

## EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out as "Share Option Scheme" above.

## AUDIT COMMITTEE

The Company has set up an audit committee with written terms of reference in compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising Mr. Au-Yeung Tsan Pong, Davie (Chairman of audit committee), Mr. Fung Ka Choi and Mr. Wong Chu Fung, all being independent non-executive directors. Mr. Wong Chu Fung was appointed as a member of the audit committee effective from 30th September, 2004.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive directors are not appointed for specific terms as they are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-laws of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, the Company had ascertained that all the directors had complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2004.

## AUDITORS

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

By Order of the Board

**Cheng Yung Pun**  
*Chairman*

Hong Kong, 30th March, 2005