

DIRECTORS' REPORT

The Board of Directors ("Directors") of Oriental Metals (Holdings) Company Limited (the "Company") has pleasure in presenting the annual report together with the audited accounts of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries and associated companies are set out in Notes 16 and 17 to the accounts.

An analysis of the Group's revenue by business and geographical segments, together with their respective contributions to profit from operations for the year ended 31 December 2004 is set out in Note 3 to the accounts.

MAJOR CUSTOMERS

- (1) Sales to the largest customer accounted for approximately 13% of the total sales of the Group for the year.
- (2) Sales to the five largest customers in aggregate accounted for approximately 36% of the total sales of the Group for the year.

None of the Directors, their associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or any shareholders of the Company (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers.

MAJOR SUPPLIERS

- (1) Purchases from the largest supplier accounted for approximately 27% of the total purchases of the Group for the year.
- (2) Purchases from the five largest suppliers in aggregate accounted for approximately 71% of the total purchases of the Group for the year.

None of the Directors, their associates (as defined in the Listing Rules) or any shareholders of the Company (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the accounts on page 38.

No interim dividend was declared during the year. The Directors do not recommend the payment of a final dividend, and recommend that the consolidated accumulated losses of approximately HK\$1,065,565,000 at 31 December 2004 (2003 : HK\$1,282,457,000) be carried forward.

RESERVES

Movements in reserves of the Company and the Group during the year are set out in Note 29 to the accounts.

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 14 to the accounts.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 28 to the accounts. With the confirmation from the High Court on 6 January 2004, the issued share capital of the Company was reduced from HK\$131,972,695 (comprising 1,319,726,950 ordinary shares of HK\$0.1 each) to HK\$6,598,635 (comprising 131,972,695 ordinary shares of HK\$0.05 each). On 12 January 2004, the Company issued 475,376,917 ordinary shares of HK\$0.05 each to Coppermine Resources Limited ("Coppermine") for a consideration of HK\$418,331,000. The subscription consideration was settled by setting off the Company's debt of HK\$466,711,000 acquired by Coppermine.

DIRECTORS' REPORT

DIRECTORS

The Directors who held office during the year and up to the date of this report are as follows:

Executive Directors

Lin Xizhong (<i>Chairman</i>)	(Appointed on 12 January 2004)
Xu Huizhong	
Qian Wenchao	(Appointed on 12 January 2004)
Tang Xiaojin	(Appointed on 12 January 2004)
Gao Dezhu	(Resigned on 12 January 2004)
Lau Yat Ching	(Resigned on 12 January 2004)
Wang Xingdong	(Resigned on 12 January 2004)
Deng Weihua	(Resigned on 12 January 2004)

Independent Non-executive Directors

Liu Hongru	(Appointed on 22 September 2004)
Chan Wai Dune	
Ting Leung Huel, Stephen	

Pursuant to Article 101 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (excepting those Directors in respect of whom the provision of Article 85 applies), save and except the managing director(s), or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. However, in the spirit of good corporate governance practices, Mr. Xu Huizhong (Executive Director) who is the President (or managing director) of the Company will voluntarily retire from his office at the 2005 Annual General Meeting notwithstanding that he is not required by the Articles of Association of the Company to do so. Accordingly, Mr. Xu Huizhong and Mr. Ting Leung Huel, Stephen who is subject to retirement by rotation under Article 101, will retire at the 2005 Annual General Meeting and are eligible for re-election. Mr. Liu Hongru, who was appointed by the Directors after the 2004 annual general meeting of the Company, will hold office only until the conclusion of the 2005 Annual General Meeting in accordance with Article 85 and is also eligible for re-election.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 to the Listing Rules and considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors have service contracts with the Group which are not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2004, the interests and short positions of the Directors and the 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 under section 352 of the SFO or as 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:

Long position in underlying shares of the Company

Name of Director	Nature of interest	Number of underlying shares held (Note 1)	Approximate percentage of total issued shares (Note 2)
Lin Xizhong	Personal	3,000,000	0.49%
Qian Wenchao	Personal	1,500,000	0.25%
Tang Xiaojin	Personal	1,500,000	0.25%
Xu Huizhong	Personal	2,000,000	0.33%

Notes:

- The Directors' interests in underlying shares are share options granted by the Company pursuant to the 1994 Share Option Scheme, details of which are set out under the section headed "Share Option Schemes".
- The calculation is based on the number of underlying shares as a percentage of the total number of issued shares of the Company (i.e. 607,349,612 shares) as at 31 December 2004.

Save as disclosed above, as at 31 December 2004, other than a nominee share in a subsidiary held by a director in trust for the Company, none of the Directors or the chief executive of the Company or any of their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 pursuant to the Model Code. In addition, save as disclosed above, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age had been 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).

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, any of its holding companies, or any of their subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEMES

1994 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 25 November 1994 ("1994 Share Option Scheme"), a total number of 11,190,000 share options have been granted to certain directors and employees of the Company during the year ended 31 December 2004.

The 1994 Share Option Scheme had expired on 24 November 2004. Accordingly, no further options would be granted in accordance to the provisions thereunder but in all other respects the provisions of the 1994 Share Option Scheme shall remain in force to govern the exercise of all the options granted prior to such expiry which shall continue to be valid and outstanding.

The following is a summary of the principal terms of the 1994 Share Option Scheme:

1. Purpose

The 1994 Share Option Scheme was established to recognise and acknowledge the contributions that eligible participants had made or might make to the Group in order to attract and retain high calibre employees of the Group.

2. Participants

Any employees including directors of the Group.

3. Total number of shares available for issue under the 1994 Share Option Scheme

No further option may be granted under the 1994 Share Option Scheme as it had expired on 24 November 2004.

DIRECTORS' REPORT

SHARE OPTION SCHEMES *(cont'd)*

1994 Share Option Scheme *(cont'd)*

4. Maximum entitlement of each participant

The maximum number of shares in respect of which options might be granted to any one employee should not exceed 25% of the maximum number of shares in respect of which options might be granted under the 1994 Share Option Scheme.

Effective from 1 September 2001, the total number of shares of the Company issued and to be issued upon exercise of options (including both exercised and outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue in accordance with the revised provisions as set out in Chapter 17 to the Listing Rules.

5. Period within which the shares must be taken up under an option

An option may be exercised in whole or in part at any time after the date on which the option is deemed to have been granted and from time to time or before the date which is three years after such date.

6. Minimum period for which an option must be held before it can be exercised

Not applicable.

7. Amount payable on acceptance of the option

A non-refundable remittance of HK\$10.00 by way of consideration for the grant of an option was required to be paid by each grantee upon acceptance of the option.

8. Basis of determining the exercise price

The exercise price was determined by the Directors of the Company and would not be less than (i) 80% of the average of the closing price of the shares on the Stock Exchange on the five business days immediately preceding the date of granting of options or (ii) the nominal value of the shares, whichever is the higher.

Effective from 1 September 2001, the exercise price must be at least the higher of (i) the closing price of the shares on the date of grant, which must be a business day, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of the Company in accordance with the revised provisions as set out in Chapter 17 to the Listing Rules.

DIRECTORS' REPORT

SHARE OPTION SCHEMES (cont'd)

1994 Share Option Scheme (cont'd)

9. The remaining life of the 1994 Share Option Scheme

The life of the 1994 Share Option Scheme was until 24 November 2004.

During the year, the movements of share options which have been granted under the 1994 Share Option Scheme are as follows:

Category and name of participant	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options					Balance as at 31 December 2004
				Balance as at 1 January 2004	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Directors									
Lin Xizhong	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	3,000,000	-	-	-	3,000,000
Qian Wenchao	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	1,500,000	-	-	-	1,500,000
Tang Xiaojin	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	1,500,000	-	-	-	1,500,000
Xu Huizhong	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	2,000,000	-	-	-	2,000,000
Employees	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	3,190,000	-	-	80,000 (note 2)	3,110,000
				-	11,190,000	-	-	80,000	11,110,000

DIRECTORS' REPORT

SHARE OPTION SCHEMES *(cont'd)*

1994 Share Option Scheme *(cont'd)*

Notes:

1. In respect of the share options granted on 15 March 2004, the closing price of the shares of the Company immediately before the date on which the options were granted was HK\$3.00 per share.
2. A total of 80,000 share options were lapsed due to cessation of employment.

The options granted are not recognised in the accounts until they are exercised. The Directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders. Thus, it is more appropriate to disclose only the market price and exercise price.

2004 Share Option Scheme

At the annual general meeting of the Company held on 28 May 2004, the Company adopted a new share option scheme ("2004 Share Option Scheme") which is in compliance with the new requirements as set out in Chapter 17 to the Listing Rules. No options had been granted under the 2004 Share Option Scheme since its adoption.

The following is a summary of the principal terms of the 2004 Share Option Scheme:

1. Purpose

To recognise and acknowledge the contributions that the eligible persons had made or may from time to time make to the Group whether in the past or in the future.

2. Participants

Any directors or any employees of any company of the Group and any advisers of, consultants of, contractors to any company of the Group or any person who has any relationship (whether business or otherwise) with any company of the Group or any person whom the Directors of the Company considers, in its sole discretion, appropriate.

3. Total number of shares available for issue under the 2004 Share Option Scheme

The total number of shares available for issue under the 2004 Share Option Scheme is 49,624,961 shares, representing approximately 8.17% of the issued share capital of the Company as at the date of this report.

DIRECTORS' REPORT

SHARE OPTION SCHEMES *(cont'd)*

2004 Share Option Scheme *(cont'd)*

4. Maximum entitlement of each participant

No options may be granted to any eligible person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted and to be granted to such eligible person under the 2004 Share Option Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further options above this limit shall be subject to the requirements under the Listing Rules.

5. Period within which the shares must be taken up under an option

The Directors of the Company may in its absolute discretion determine the period during which an option may be exercised, save that such period shall not be more than ten years from the date on which such option is deemed to have been granted and accepted subject to the provisions for early termination thereof.

6. Minimum period for which an option must be held before it can be exercised

There is no general requirement on the minimum period for which an option must be held under the terms of the 2004 Share Option Scheme. However, the Directors of the Company may determine in its absolute discretion in relation to the minimum period of the options to be held.

7. Time of acceptance and the amount payable on acceptance of the option

An offer of an option may be accepted within 28 business days (or such shorter period as the Directors of the Company shall determine) from the date of such offer and the amount payable on acceptance of such offer is HK\$10.00.

DIRECTORS' REPORT

SHARE OPTION SCHEMES *(cont'd)*

2004 Share Option Scheme *(cont'd)*

8. Basis of determining the exercise price

The exercise price shall be determined by the Directors of the Company at the time of grant of the relevant option and shall not be less than the highest of:

- (i) the closing price per share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option;
- (ii) an amount equivalent to the average closing price per share of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option; and
- (iii) the nominal value of a share of the Company.

9. The remaining life of the 2004 Share Option Scheme

The 2004 Share Option Scheme will remain in force until 27 May 2014.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2004, the following persons were recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares and underlying shares of 5% or more of the issued shares of the Company:

Long position in shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of total issued shares (Note 1)
China Minmetals Corporation ("China Minmetals") (Note 2)	Interest of controlled corporation (Notes 3, 5 & 6)	1,464,467,826	241.12% (Note 4)
China Minmetals Non-ferrous Metals Company Limited ("CMN")	Interest of controlled corporation (Notes 3 & 5)	1,009,090,909	166.15%
Top Create Resources Limited ("Top Create")	Beneficial owner (Notes 3 & 5)	1,009,090,909	166.15%
China Minmetals H.K. (Holdings) Limited ("Minmetals HK")	Interest of controlled corporation (Note 6)	455,376,917	74.98%
Coppermine Resources Limited ("Coppermine")	Beneficial owner (Note 6)	455,376,917	74.98%

Notes:

- The calculation is based on the number of shares held by each person (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued shares of HK\$0.05 each (i.e. 607,349,612 shares) of the Company as at 31 December 2004.
- On 18 January 2004, China National Metals & Minerals Import and Export Corporation changed its name to China Minmetals Corporation.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Long position in shares of the Company *(cont'd)*

Notes: *(cont'd)*

3. Pursuant to the joint announcement ("Announcement") of the Company and CMN dated 30 December 2004, a conditional acquisition agreement ("Acquisition Agreement") was entered into between the Company (as purchaser), Top Create (as seller) and CMN (as Top Create's guarantor and warrantor) on 30 December 2004 in relation to the Company's proposed acquisition of the entire issued share capital of Peak Strategic Industries Limited ("Peak Strategic"), a wholly-owned subsidiary of Top Create, and the benefits in the entire shareholder's loan as at completion of the Acquisition Agreement owing by Peak Strategic to Top Create and/or its associates ("Acquisition"). The consideration for the Acquisition of HK\$2,886 million will be satisfied in full by the allotment and issue of 1,009,090,909 new shares of the Company ("Consideration Shares") to Top Create at HK\$2.86 per Consideration Share, representing about 166.15% of the issued share capital (i.e. 607,349,612 shares at HK\$0.05 each) of the Company as at 31 December 2004 and about 62.43% of the enlarged issued share capital (i.e. 1,616,440,521 shares at HK\$0.05 each) of the Company immediately after completion of the Acquisition Agreement (assuming that there will be no change in the Company's issued share capital from the date of the Announcement to completion of the Acquisition Agreement save for the issue of the Consideration Shares). The Acquisition is still in progress and is subject to the approval of the relevant authorities and the independent shareholders of the Company.
4. The 1,464,467,826 shares of the Company held/were deemed to be held by China Minmetals represents about 241.12% of the issued share capital (i.e. 607,349,612 shares at HK\$0.05 each) of the Company as at 31 December 2004 and about 90.60% of the enlarged issued share capital (i.e. 1,616,440,521 shares at HK\$0.05 each) of the Company immediately after completion of the Acquisition Agreement (assuming that there will be no change in the Company's issued share capital from the date of the Announcement to completion of the Acquisition Agreement save for the issue of the Consideration Shares).
5. Top Create is a wholly-owned subsidiary of CMN which in turn is owned as to approximately 82.23% by China Minmetals. Accordingly, CMN and China Minmetals were by virtue of the SFO deemed to be interested in the 1,009,090,909 shares of HK\$0.05 each of the Company which are taken to be held by Top Create under section 322(5) of the SFO as at 31 December 2004.
6. Coppermine is a wholly-owned subsidiary of Minmetals HK which in turn is a wholly-owned subsidiary of China Minmetals. Accordingly, Minmetals HK and China Minmetals were by virtue of the SFO deemed to be interested in the 455,376,917 shares of HK\$0.05 each of the Company held by Coppermine as at 31 December 2004.

Save as disclosed above, as at 31 December 2004, no other person was recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares and underlying shares of 5% or more of the issued shares of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2004, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Company and the Group as at 31 December 2004 are set out in Note 27 to the accounts. Interest of approximately HK\$6,990,000 (2003 : HK\$7,139,000) was capitalised by the Group during the year.

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in Note 31 to the accounts.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules (which was in force prior to 1 January 2005) throughout the year ended 31 December 2004, except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with Articles 85 and 101 of the Company's Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the revised Listing Rules which came into effect on 31 March 2004 as its code of conduct regarding securities transactions by Directors ("Code of Conduct").

Having made specific enquiry of all directors, all of them confirmed that they have complied with the Code of Conduct during the year ended 31 December 2004.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in July 1999 pursuant to the requirements under the Listing Rules (which was in force prior to 1 January 2005). The audit committee of the Company currently comprises three independent non-executive directors, namely Mr. Chan Wai Dune (Chairman), Mr. Liu Hongru and Mr. Ting Leung Huel, Stephen. The principal duties of the audit committee include the review and supervision of the Company's financial reporting process and internal controls. During the year, the audit committee held two meetings.

DIRECTORS' REPORT

CONNECTED PARTY TRANSACTIONS

During the year ended 31 December 2004, the Group had the following connected transactions, details of which are set out below:

(a) Amounts due from connected persons

As disclosed in the Company's announcement dated 16 September 2004, the Company was notified on 26 August 2004 that its ultimate controlling shareholder, China Minmetals Corporation, had become the controlling shareholder of Oriental Shipping & Transportation Company Limited ("OST"), Orienmet Properties Company Limited ("OPC") and Jordan Worldwide Limited ("JWL"). By virtue of these relationships, receivables due from OST, OPC and JWL to the Company were considered as financial assistance provided by the Company and constitutes a connected transaction under Rule 14A.63 of the Listing Rules.

The receivables due from OST, OPC and JWL amounted to approximately HK\$146,634,000 (of which approximately HK\$45,545,000 is the interest charged for the period from 1 January 2000 to 31 December 2004 and has not yet been recognised as income in the Company's accounts), HK\$2,083,000 and HK\$1,186,000 respectively as at 31 December 2004. These receivables have long been outstanding for more than six years and full provisions had been made against them in 2001 when the then controlling shareholder of OST, OPC and JWL was dissolved.

Having considered the history of the receivables, the financial position of OST, OPC and JWL and the recovery rate of the bank creditor in relation to the bank debts as owed by OPC, the Company accepted the repayment of HK\$24,958,937, which was received by the Company on 12 January 2005, as full settlement of the amounts that OST, OPC and JWL owed to the Company.

(b) Financial assistance to a non-wholly owned subsidiary

The connected transactions below are disclosed by way of inclusion in the annual report in accordance with Chapter 14, paragraph 14.25(2)(a) of the Listing Rules in force before 31 March 2004.

During the year ended 31 December 2004, certain guarantees of an aggregate maximum sum of RMB6 million (equivalent to approximately HK\$5,660,000) (the "Guarantees") was provided by North China Aluminium Company Limited ("NCA") (an indirect subsidiary owned as to 51% by the Company) to Zhuoshen Nonferrous Metals Plant & Equipment Company Limited ("Zhuoshen") (a subsidiary owned as to 75% by NCA) in favor of a bank for the following bank loans granted to Zhuoshen.

DIRECTORS' REPORT

CONNECTED PARTY TRANSACTIONS *(cont'd)*

(b) Financial assistance to a non-wholly owned subsidiary *(cont'd)*

Loan amount	Loan period	Loan principal outstanding at 31 December 2004
RMB2,000,000	27 May 2003 – 27 May 2004	–
RMB2,000,000	28 May 2004 – 28 May 2005	RMB2,000,000
RMB1,000,000	27 June 2003 – 27 June 2004	–
RMB1,000,000	28 June 2004 – 15 June 2005	RMB1,000,000
RMB3,000,000	1 September 2003 – 1 September 2004	–

The purpose of the transaction is to enable Zhuoshen to finance the working capital for its normal business operation relating to the manufacturing of nonferrous metals plant and equipment. There was no default of repayment of loan during the year ended 31 December 2004.

Under the revised Listing Rules which take effect on 31 March 2004, Zhuoshen is not a connected person of the Company. Therefore, the Guarantees given by NCA ceased to constitute connected transactions of the Company since 31 March 2004.

DIRECTORS AND MANAGEMENT

Particulars of Directors and management are set out on pages 16 to 19 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 89 to 90 of this annual report.

AUDITORS

Arthur Andersen & Co ("AA") were appointed as the Company's auditors since 2000. Following the combination of practices of PricewaterhouseCoopers ("PwC") and AA in July 2002, PwC were appointed as the Company's auditors with effect from 9 October 2002.

PwC, who will retire at the forthcoming annual general meeting, being eligible, offer themselves for re-appointment.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

By order of the Board

Lin Xizhong

Chairman

Hong Kong, 11 April 2005