



DIRECTORS' REPORT

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 principal subsidiaries are set out in note 31 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 21.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year end date. The revaluation resulted in a surplus of HK\$1,800,000 (2003: Nil), which has been charged directly to the consolidated income statement. Details of such revaluation are set out in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES HELD FOR DEVELOPMENT

Movements during the year in the Group's property, plant and equipment and the details of the Group's properties held for development are set out in notes 14 and 15 to the financial statements respectively.

Particulars regarding the Group's major properties are set out on pages 66 to 68.

SHARE CAPITAL

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

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



DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Leung Siu Fai

Mr. Kam Hung Chung

Mr. Wang Jin Yuan (Appointed on 22nd September, 2004)

Independent Non-Executive Directors

Mr. Chan Kwok Wai (Appointed on 22nd September, 2004)

Mr. Chen Da Cheng (Appointed on 22nd September, 2004)

Mr. You Guang Wu (Appointed on 22nd September, 2004)

Mr. Eddie Mui Ho Chow (Resigned on 22nd September, 2004)

Mr. Peter Lee Yip Wah (Resigned on 22nd September, 2004)

In accordance with the provisions of the Company's Bye-laws, Mr. Wang Jin Yuan, Mr. Chan Kwok Wai, Mr. Chen Da Cheng and Mr. You Guang Wu shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

The term of office of each Independent Non-Executive Director is two years from the date of appointment.



DIRECTORS' REPORT (CONTINUED)

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Leung Siu Fai, aged 54, is the Chairman of the Company. Mr. Leung was appointed as a Director of the Company in July 1995. He graduated from Guangzhou Jinan University and has extensive experience in finance and business management.

Kam Hung Chung, aged 57, joined the Company as an Assistant Managing Director and was appointed as Managing Director on 22nd September 2004. He has extensive experience in the marketing and administration of real estate, and property development both in Hong Kong and the People's Republic of China.

Wang Jin Yuan, aged 39, was graduated from Guangdong Academy of Social Sciences as a research fellow in economic management. Mr. Wang has many years of experience in trading, financial management and real estate.

Independent Non-Executive Directors

Chan Kwok Wai, aged 46, holds a bachelor degree in Accounting and Commerce and is an associate member of the CPA Australia and a member of Hong Kong Securities Institute. He has over 20 years of experience in the finance and accounting industry. Mr. Chan is currently a director of High Progress Consultants Limited and an independent non-executive director of 4 listed public companies in Hong Kong, namely Chinese Estates Holdings Limited, Tern Properties Company Limited, National Electronics Holdings Limited and Junefield Department Store Group Limited.

Chen Da Cheng, aged 40, is a practicing solicitor in the PRC and is the vice chairman of the Association of Lawyers in Foshan. Mr. Chen was graduated from the Sun Yat-sen University, and has over 20 years of experience in legal services.

You Guang Wu, aged 40, is a senior accountant in the PRC. Mr. You holds a Master degree in economics, and is now a doctorate candidate in finance of Zhongnan University of Economics and Law. He has accumulated extensive experience in investment, financing and financial management.



DIRECTORS' REPORT (CONTINUED)

Qualified Accountant

Mr. Ng Chun Hing, aged 40, was appointed the qualified accountant of the Company in July 2004. Mr. Ng holds a degree of Bachelor of Commerce (Accounting), and is an associate member of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant member of the CPA Australia. He has over 15 years of experience in the accounting and financing field.

Note: The Group's businesses are under the direct responsibility of the above executive directors who are regarded as members of the senior management of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

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.

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2004, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meanings of Part XV of the Securities and Future Ordinance (the "SFO") are as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

Name of Director	Number of shares	Nature of interest	Notes	% of total issued share capital as at 31st December, 2004
Leung Siu Fai	151,610,779	Corporate	1	16.57%
Kam Hung Chung	58,971,428	Corporate	2	6.44%

Notes:

1. These shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.
2. These shares were held by Sintex Investment Limited in which Mr. Kam Hung Chung had 50% interest.

Save as disclosed above, none of the Directors, or their associates, had any interests in any securities of the Company or any of its associated corporations.



DIRECTORS' REPORT (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, the shareholders who were interested in 5% or more in the shares and underlying shares of the Company are as follows:

Name	Number of Shares	Number of underlying Shares in derivative interests*	Notes	Capacity	Approximate percentage (in aggregate) of total issued share capital
Leung Siu Fai	151,610,779	—	1	Controlled Corporation	16.57%
Mighty Management Limited	151,610,779	—	1	Beneficial owner	16.57%
Industrial and Commercial Bank of China	131,657,142	—		Beneficial owner	14.39%
Nam Keng Van Investment Co., Ltd.	89,271,895	32,592,592	2	—	13.32%
Lau Ming En	700,000	111,111,111		Beneficial owner	12.22%
Fung Kam Wing	—	111,111,111		Beneficial owner	12.14%
Topgrow Limited	—	92,592,592		Nominee for another person	10.12%
Wideco Investment Limited	—	92,592,592		Nominee for another person	10.12%
Delight View Enterprises Limited	—	74,074,074		Nominee for another person	8.10%
Kam Hung Chung	58,971,428	—	3	Controlled Corporation	6.44%
Sintex Investment Limited	58,971,428	—	3	Beneficial owner	6.44%
Zhong Baoguo	58,971,428	—	3	Controlled corporation	6.44%
Oriental Trade Ltd.	55,555,555	—		Beneficial owner	6.07%
Success Digital International Limited	—	55,555,555		Beneficial owner	6.07%



DIRECTORS' REPORT (CONTINUED)

Name	Number of Shares	Number of underlying Shares in derivative interests*	Notes	Capacity	Approximate percentage (in aggregate) of total issued share capital
Gearway Limited	—	55,555,555		Nominee for another person	6.07%
He Yongwen	48,917,142	—	4	Beneficial owner and controlled corporation	5.35%
New City Holdings Limited	48,917,142	—	4	Beneficial owner	5.35%

* *being unlisted physically settled derivatives interests*

Notes:

1. These 151,610,779 Shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.
2. These interests (including derivative interests in respect of 32,592,592 Shares) were disclosed by Nam Keng Van Investment Co., Ltd.
3. These 58,971,428 Shares were held by Sintex Investment Limited in which Mr. Kam Hung Chung had 50% interest and Mr. Zhong Baoguo had 50% interest.
4. These 48,917,142 Shares were held by New City Holdings Limited which was wholly-owned by Mr. He Yongwen.

Save as disclosed above, no other parties were recorded in the register as having an interest in 5% or more of the issued share capital of the Company.



DIRECTORS' REPORT (CONTINUED)

SHARE OPTIONS

Particulars of the Company's share options scheme are set out in note 25 to the financial statements.

Details of the movements in the Company's share options during the year are as follows:

	Outstanding at 1st January, 2004	Lapsed during the year	Outstanding at 31st December, 2004
Directors			
Mr. Leung Siu Fai	5,000,000	5,000,000	—
Mr. Kam Hung Chung	5,000,000	5,000,000	—
Former Director			
Mr. Sun Pak Fun	5,000,000	5,000,000	—
Total for directors	15,000,000	15,000,000	—
Employees	8,500,000	8,500,000	—
Total	23,500,000	23,500,000	—

The closing price of the Company's shares immediately before 12th August, 2002, the date of grant of the options, was HK\$0.34.

No option was granted or exercised during the year, and all the share options outstanding at 1st January, 2004 had lapsed during the year.

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 shares.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 32% of the Group's purchases and the five largest suppliers accounted for 83% of the Group's total purchases. The largest customer accounted for 38% of the Group's turnover and the five largest customers accounted for 75% of the Group's total turnover.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in the Group's five largest suppliers and customers.



DIRECTORS' REPORT (CONTINUED)

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st Decmeber, 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 ("Listing Rules").

The Company has adopted the model code set out in the Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all the Directors have complied with the required standard set out in the model code.

The Company has received annual confirmation from each of the independent non-executive directors as regards to their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

EMPLOYEES

The total number of employees of the Group is approximately 1,672. The remuneration of each employee of the Group is determined on the basis of his or her performance and experience. The Group provides education allowances to all the employees.

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.



DIRECTORS' REPORT (CONTINUED)

AUDITORS

The financial statements for the two financial years ended 31st December, 2001 and 2002 were audited by Messrs. Deloitte Touche Tohmatsu. At the annual general meeting of the Company held on 20th May, 2003, Messrs. HLM & Co. were appointed auditors of the Company in place of the then retiring auditors, Deloitte Touche Tohmatsu. The financial statements for the two financial years ended 31st December, 2003 and 2004 were audited by Messrs. HLM & Co..

HLM &Co. will retire and will seek for re-election at the forthcoming annual general Meeting.

On behalf of the Board

Leung Siu Fai
CHAIRMAN

Hong Kong, 19th April, 2005