



## DIRECTOR'S REPORT

The Directors present their annual report and the audited financial statements for the period from 1 July 2004 to 31 December 2004.

### CHANGE OF FINANCIAL YEAR END DATE

During the period, the Company changed its financial year end date from 30 June to 31 December. The financial statements presented therefore cover the 6 month period from 1 July 2004 to 31 December 2004.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company and its principal subsidiaries are engaged in the manufacture and trading of electronic and healthcare products and property investment. The Group's head office is in Hong Kong and all of its manufacturing operations are located in the People's Republic of China.

### RESULTS AND APPROPRIATIONS

The Group's results for the period from 1 July 2004 to 31 December 2004 are set out in the consolidated income statement on page 18.

The Directors do not recommend the payment of a dividend for the period.

### MAJOR SUPPLIERS AND CUSTOMERS

During the period the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 34% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 10%.

The aggregate sales attributable to the Group's five largest customers was approximately 89% and the sales attributable to the Group's largest customer was approximately 41%.

None of the Directors, their associates or shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital had any beneficial interest in the five largest suppliers or customers of the Group.

### SHARE CAPITAL AND WARRANTS

Details of the share capital and warrants of the Company are set out in notes 18 and 19 to the financial statements, respectively.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements during the period in the property, plant and equipment of the Group are set out in notes 10 to the financial statements.



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### DIRECTORS

The Directors of the Company during the period and up to the date of this report were:

#### Executive Directors:

Mr Fu Kwan (*Chairman*)

Mr Wu Xiang Dong (*Deputy Chairman*)

Mr Shu Shi Ping (*Managing Director*) (appointed on 27 September 2004)

Mr Chan Yeuk

Mr Zhang Jian

Mr Wang Xiao Ming (*Managing Director*) (resigned on 27 September 2004)

#### Non-executive Director:

Mr Hung Kin Sang, Raymond

#### Independent Non-executive Directors:

Mr Cao Kuangyu

Mr Ting Leung Huel, Stephen

Mr E Meng (appointed on 27 September 2004)

In accordance with Bye-laws 87 and 88 of the Company's Bye-laws, Mr Hung Kin Sang, Raymond and Mr Cao Kuangyu will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. All of the remaining directors will continue in office.

The term of office of each Non-executive Director is for a term of one year and is subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

Pursuant to the regulations prescribed by the Listing Rules, each of the Independent Non-executive Directors of the Company has confirmed with the Company their independence. The Company has received such confirmation from the Independent Non-executive Directors and considers the Independent Non-executive Directors as independent.

As at 31 December 2004, none of the Directors had entered into any service agreement with any member of the Group nor are there any other service agreement proposed which will not expire or be determinable by the Company within one year without payment of compensation (other than statutory compensation).

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance, to which the Company, its holding 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 period or at any time during the period.

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### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Details of the share option schemes of the Company are set out in note 26 to the financial statements.

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

### DIRECTORS' INTERESTS IN SHARES

As at 31 December 2004, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 were as follows:

#### A) Long positions in ordinary shares of the Company

Name of Director	Number of issued ordinary shares held by controlled corporations (Note)	Percentage of the issued share capital of the Company
Mr Fu Kwan	861,880,281	74.99%

*Note:* These 861,880,281 Shares are registered in the name of MACRO-LINK International Investment Co., Ltd., the entire issued share capital of which is wholly-owned by MACRO-LINK Sdn. Bhd. Mr Fu Kwan, the Director of the Company owns 40% of the issued share capital of MACRO-LINK Sdn. Bhd. Under the SFO, Mr Fu Kwan is deemed to be interested in the 861,880,281 Shares held by MACRO-LINK International Investment Co., Ltd.

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### B) Interests in the shares in associated corporation

Name of associated corporation	Name of Director	Number of ordinary share Personal Interest	Percentage of the issued share
MACRO-LINK Sdh. Bhd.	Mr Fu Kwan	400,000	40%
MACRO-LINK Sdh. Bhd.	Mr Wu Xiang Dong	150,000	15%

Save as disclosed herein and other than certain nominee shares in the subsidiaries held in trust for the Group, none of the Directors, chief executives or 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 31 December 2004.

### SUBSTANTIAL SHAREHOLDERS

Other than as disclosed under the heading "Directors' interests in shares" above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2004.

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

During the period, there was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries.

### CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

### 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 6 month period ended 31 December 2004.



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### AUDIT COMMITTEE

The written term of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited financial statements and report of the Group for the 6 month period ended 31 December 2004. The Audit Committee was content that the accounting policies of the Group are in accordance with current best practice in Hong Kong.

### 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.

### SUBSEQUENT EVENTS

Details of significant events arising after the balance sheet date are set out in note 29 to the financial statements.

### AUDITORS

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

On behalf of the Board

**Fu Kwan**

*Chairman*

Hong Kong, 21 April 2005