

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 40 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 16 of the financial statements.

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2004.

PRINCIPAL SUBSIDIARIES

In August 2004, certain subsidiaries of the Company entered into conditional sale and purchase agreements with State Achieve Properties Limited, an independent third party, for the disposal of the Group's 100% interest in, and shareholders' loan to, Huizhou Gladly Property Limited, Huizhou World Express Property Limited and Huizhou Best Glory Limited (collectively referred to as the "Huizhou Companies") for a total consideration of RMB50.0 million. The Huizhou Companies are engaged in the property development projects in Huizhou, the Peoples' Republic of China (the "PRC"). Details of this transaction are set out in the circular to the shareholders of the Company dated 18th October, 2004. The transaction was completed on 10th August, 2004.

In September 2004, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Time Fast Investments Limited, a wholly owned subsidiary of Paul Y. - ITC Construction Holdings Limited, an independent third party, for the disposal of the Group's 100% interest in, and shareholders' loan to, Yetwide Investments Limited ("Yetwide") for a consideration of HK\$31.0 million. Yetwide is engaged in property development in Tai Shan, the PRC. Details of this transaction are set out in the circular to the shareholders of the Company dated 2nd November, 2004. The transaction was completed on 19th October, 2004.

In November 2004, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Zhong Qing Hua, an independent third party, for the disposal of the Group's 100% interest in, and shareholders loan to, Fast Gain Investments Limited ("Fast Gain") and Meiner Investments Limited ("Meiner"), for a consideration of HK\$32.0 million. Fast Gain and Meiner have a 90% interest in Shenzhen SEZ Development Centre Co., Limited, which was engaged in property investment and trading in Shenzhen, the PRC. Details of this transaction are set out in the circular to the shareholders of the Company dated 28th December, 2004. The transaction was completed on 15th December, 2004.

Details of the principal subsidiaries of the Company at 31st December, 2004 are set out in note 40 to the financial statements.

INVESTMENT PROPERTIES

During the year, investment properties with a carrying amount of HK\$28.3 million were disposed of as a result of the disposal of Fast Gain and Meiner.

The Group revalued its investment properties at the balance sheet date and a deficit of approximately HK\$113.7 million was charged to the consolidated income statement.

Details of these and other movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group recognised impairment losses on its properties under construction of approximately HK\$91.3 million, which have been charged to the consolidated income statement.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

PROPERTIES UNDER/HELD FOR DEVELOPMENT

During the year, the Group disposed of all its properties under/held for development as a result of the disposal of Huizhou Companies and Yetwide.

Details of these and other movements in the properties under/held for development of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 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 shares.

DIRECTORS

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

Executive directors:

Chan Yeung Nam (*Chairman*)

Fu Jie Pin (*Chief Executive Officer*)

Chan Wai Kit (resigned on 1st April, 2004)

Wong Lai Shun, Benny (resigned on 9th January, 2004)

Chan Kwok Hung (resigned on 9th January, 2004)

Chan Fut Yan (resigned on 9th January, 2004)

Cheung Hon Kit (resigned on 9th January, 2004)

Chau Mei Wah, Rosanna (resigned on 9th January, 2004)

Cheng Yin Ching, Anna (resigned on 9th January, 2004)

Independent non-executive directors:

Tang Cheung Fai

Lam Ping Cheung

Jee Wengue (appointed on 24th September, 2004)

Mok Yat Fan, Edmond (resigned on 9th January, 2004)

Wong Pui Fai (resigned on 9th January, 2004)

Chan Shu Kin (resigned on 9th January, 2004)

In accordance with Clause 98 of the Company's Bye-Laws, Mr. Fu Jie Pin will retire at the forthcoming annual general meeting by rotation and being eligible, offer themselves for re-election.

In accordance with Clause 102(B) of the Company's Bye-Laws, Mr. Jee Wengue, the newly appointed director, will also retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Chan Yeung Nam and Mr. Fu Jie Pin has entered into a service contract with the Company commences on 19th December, 2003 and with no fixed terms.

Save as disclosed above, none of the directors 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 non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO") showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long position

Ordinary shares of US\$0.02 each of the Company

	Capacity	Number of shares			Percentage of issued share capital	Note
		Direct interest	Deemed interest	Total interest		
Velocity International Limited ("Velocity")	Beneficial owner	144,943,418	–	144,943,418	52.2%	a
Chan Yeung Nam	Interest of a controlled corporation	–	144,943,418 (through 100% direct interest in Velocity)	144,943,418	52.2%	a
Golden Flower Limited ("Golden")	Beneficial owner	20,742,000	–	20,742,000	7.5%	b
Expert Commerce Limited ("Expert")	Beneficial owner	15,000,000	–	15,000,000	5.4%	b
China WTO.com Limited ("CWTO")	Beneficial owner and interest of controlled corporations	27,079,662	35,742,000 (through 100% direct interest in Golden and Expert)	62,821,662	22.6%	b
China Strategic Holdings Limited ("CSH")	Interest of controlled corporations	–	62,821,662 (through 100% direct interest in CTWO)	62,821,662	22.6%	c

SUBSTANTIAL SHAREHOLDERS (continued)

Long position (continued)

Notes:

- (a) Mr. Chan Yeung Nam holds the entire beneficial interest in Velocity and Mr. Chan Yeung Nam is accordingly deemed to be interested in 144,943,418 shares in the Company.
- (b) CWTO beneficially owns 27,079,662 shares in the Company directly and holds the entire beneficial interest in Golden and Expert. Golden and Expert beneficially own 20,742,000 and 15,000,000 shares in the Company, respectively. Accordingly, CWTO is totally interested in 62,821,662 shares in the Company.
- (c) CSH directly holds the entire beneficial interest in CWTO. As CWTO are interested in 62,821,662 shares in the Company, CSH is deemed to be interested in 62,821,662 shares in the Company, accordingly.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2004.

DIRECTORS' INTERESTS IN SECURITIES

Other than as disclosed in the section "Substantial Shareholders", none of the directors, chief executives, nor their associated had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 31st December, 2004, as recorded in the register maintained by the Company pursuant to 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 Director of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 26 to the financial statements.

As at the date of the director's report, the total number of shares available for issue under the Company's share option scheme is 13,624,193, representing 4.9% of the ordinary shares of the Company in issue at the date of this report.

At no time during the year was the Company, its holding companies, or any of its fellow subsidiaries and subsidiaries, 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its holding companies, fellow subsidiaries and 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2004, the largest customer accounted for 70% of the total turnover and the five largest customers comprised 83% of the total turnover.

At no time during the year did a director, an associate, or a shareholder of the Company (which to the knowledge of the directors owned more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers.

During the year, the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the total purchases for the year.

CORPORATE GOVERNANCE

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 Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") except in relation to Guideline 1 as certain directors frequently travelled abroad for overseas business trips and were unable to attend the board meetings when convened and held and Guideline 7 as non-executive directors are not appointed for a specific term but are subject to rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

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 directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Throughout the year ended 31st December, 2004, the Company has only appointed two independent non-executive directors. On 27th September, 2004, an additional independent non-executive director was appointed to comply with Rules 3.10(1) and 3.21 of the Listing Rules with regards to the sufficient number of independent non-executive directors and to have three independent, non-executive directors in the audit committee.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications and competence.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 26, to the financial statements.

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.

SUFFICIENT OF PUBLIC FLOAT

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

DISTRIBUTABLE RESERVE

At 31st December, 2004, the reserve available for distribution to shareholders is HK\$49,412,000 (2003: HK\$289,868,000) which represents the aggregate of contributed surplus of HK\$470,001,000 (2003: HK\$470,001,000) and net of the deficit of HK\$420,589,000 (2003: HK\$180,133,000).

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 38 to the financial statements.

AUDITORS

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

On behalf of the Board

Chan Yeung Nam

CHAIRMAN

Hong Kong, 22nd April, 2005