

The directors present their report and the audited financial statements for the period from 1 April 2004 to 31 December 2004.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a special resolution passed on 23 September 2004, the Company changed its financial year end date from 31 March to 31 December. The financial statements presented therefore cover nine months period from 1 April 2004 to 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 14 to the financial statements.

RESULTS

The results of the Group for the period from 1 April 2004 to 31 December 2004 are set out in the consolidated income statement on page 19.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of movements in property, plant and equipment, investment properties and properties under development during the period are set out in notes 11, 12 and 13 to the financial statements respectively.

SHARE CAPITAL

Details of share capital of the Company are set out in note 27 to the financial statements.

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

DISTRIBUTABLE RESERVES

As at 31 December 2004, the Company had no distributable reserves, calculated in accordance with Section 79B of the Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

During the period, the aggregate amount of turnover attributable to the five largest customers represented 71.21% of the Group's total turnover. Sales to the largest customer included therein amounted to 42.43%.

During the period, the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the five largest suppliers represented 80.58% of the Group's total purchases. Purchases from the largest supplier amounted to 61.39% of the Group's total purchases.

MAJOR CUSTOMERS AND SUPPLIERS (continued)

None of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the Company's directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or suppliers for the period from 1 April 2004 to 31 December 2004.

DIRECTORS

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

Mr. ZHANG Guotong	<i>(Executive Director, Vice Chairman and Managing Director)</i>
Mr. LI Tiefeng	<i>(Executive Director, resigned on 29 March 2005)</i>
Mr. WU Chun Wah, Michael	<i>(Executive Director)</i>
Mr. WANG Hongxin	<i>(Executive Director, appointed on 29 March 2005)</i>
Mr. MA Zhengwu	<i>(Non-executive Director, Chairman)</i>
Mr. HONG Shuikun	<i>(Non-executive Director)</i>
Mr. CHEN Shengjie	<i>(Non-executive Director, resigned on 29 March 2005)</i>
Mr. GU Laiyun	<i>(Non-executive Director)</i>
Ms. XU Zhen	<i>(Non-executive Director, appointed on 29 March 2005)</i>
Mr. KWONG Che Keung, Gordon	<i>(Independent non-executive Director)</i>
Mr. TSUI Yiu Wa, Alec	<i>(Independent non-executive Director)</i>
Mr. LAO Youan	<i>(Independent non-executive Director)</i>

In accordance with Article 105 of the Company's Articles of Association, Messrs. Zhang Guotong, Wu Chun Wah, Michael, Ma Zhengwu and Hong Shuikun shall retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 96 of the Company's Articles of Association, Mr. Wang Hongxin and Ms. Xu Zhen will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors are appointed for a term subject to retirement by rotation as required by the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, either directly or indirectly, subsisted at the end of the period or at any time during the period.

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

As at 31st December 2004, the interests of the Directors and Chief Executive 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")) ("Associated Corporations") as recorded in the Register of Directors' and Chief Executives' Interests and Short Positions required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

	Date of grant	Exercisable period	Exercise price HK\$	Number of shares			At 31 December 2004	Aggregate long position in underlying shares to issued share capital of the Company %
				At 1 April 2004	Granted during the period	Lapsed during the period		
Directors								
Ma Zhengwu	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	1,200,000	0.07
Zhang Gutong	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	1,200,000	0.25
	28.9.2004	29.9.2005 to 28.9.2008	0.245	-	3,000,000	-	3,000,000	
Li Tiefeng	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	1,200,000	0.07
Wu Chun Wah, Michael	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	1,200,000	0.25
	28.9.2004	29.9.2005 to 28.9.2008	0.245	-	3,000,000	-	3,000,000	
Hong Shuikun	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	1,200,000	0.07
Chen Shengjie	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	1,200,000	0.07
Gu Laiyun	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	1,200,000	0.19
	28.9.2004	29.9.2005 to 28.9.2008	0.245	-	2,000,000	-	2,000,000	
				<u>8,400,000</u>	<u>8,000,000</u>	<u>-</u>	<u>16,400,000</u>	
Other employees								
In aggregate	8.3.2004	9.3.2005 to 8.3.2009	0.364	16,750,000	-	(2,150,000)	14,600,000	
	28.9.2004	29.9.2005 to 28.9.2008	0.245	-	24,050,000	-	24,050,000	
				<u>16,750,000</u>	<u>24,050,000</u>	<u>(2,150,000)</u>	<u>38,650,000</u>	2.29
Total				<u>25,150,000</u>	<u>32,050,000</u>	<u>(2,150,000)</u>	<u>55,050,000</u>	

The closing price of the Company's share immediately before 28 September 2004, the date of grant of share options of the Company, was HK\$0.290.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

All the interests sated above represent long positions. As at 31st December 2004, no short positions were recorded in the Register of Directors' and Chief Executives' Interests and Short Positions required to be kept under Section 352 of Part XV of the SFO.

Save as disclosed above, as at 31st December 2004, none of the Directors or Chief Executives of the Company nor their spouses or children under 18 years of age were granted, or had exercised, any rights to subscribe for any equity or debt securities of the Company or any of its Associated Corporations.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the share option disclosed above, at no time during the period was the Company, or any of its 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, the Register of Interests and Short Positions in Shares and Underlying Shares maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the shares and underlying shares of the Company:

Name of shareholder	Capacity	Number of shares	Percentage of issued share capital of the Company
World Gain Holdings Limited	Controlled corporation (note)	608,201,500	36%
China Chengtong Hong Kong Company Limited	Controlled corporation (note)	608,201,500	36%
China Chengtong Holdings Company	Beneficial owner	608,201,500	36%

Note: The entire issued share capital of World Gain Holdings Limited is beneficially owned by China Chengtong Hong Kong Company Limited, the entire issued share capital of which is beneficially owned by China Chengtong Holdings Company.

All the interest stated above represent long position. As at 31 December 2004, no Short Positions were recorded in the Register of Interests and Short Positions in Shares and Underlying Shares required to be kept under section 336 of the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2004.

DISCLOSURE PURSUANT TO THE LISTING RULES

As at 31 December 2004, the aggregate amount of advances made by the Group to its associates was approximately HK\$175,918,000. Particulars of these advances are set out in note 15 to the financial statements.

The balance sheet of the associate, Goodwill (Overseas) Limited as at 31 December 2004 disclosed in accordance with 13.22 of Chapter 13 of the Listing Rules is as follows:

	<i>HK\$'000</i>
Non-current assets	539,551
Current assets	23
Current liabilities	(569)
Net current liabilities	(546)
Non-current liabilities-Shareholders' loans	(542,405)
Net liabilities	<u>(3,400)</u>

FINANCIAL SUMMARY

A summary of the Group's results and its assets and liabilities for the period from 1 April 2004 to 31 December 2004 and the past four financial years is set out on page 68.

AUDITORS

The financial statements of the Company for the period from 1 April 2004 to 31 December 2004 were audited by Messrs. Deloitte Touche Tohmatsu.

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

On behalf of the Board

Ma Zhengwu

Chairman

Beijing, 21 April 2005