



REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 25 to 69.

The Directors do not recommend the payment of any interim or final dividend for the year ended 31 December 2004.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of share premium and contributed surplus less accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

The Company had no reserves available for distribution to shareholders as at 31 December 2004.



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INVESTMENT PROPERTIES

Details of movement during the year in investment properties of the Group are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Han Junran (*Chairman*)

Mr. Fu Yiu Kwong

Mr. Tam Biu Sing, Joseph

Independent Non-Executive Directors

Mr. Chan Yiu Tung, Anthony

Mr. Wong Shing Kay, Oliver

Mr. Zheng Qing (appointed on 8 September 2004)

In accordance with the provisions of the Company's Articles of Association, Messrs. Tam Biu Sing, Joseph and Zheng Qing shall retire from office and, being eligible, offers themselves for re-election.



REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Han Junran and Fu Yiu Kwong, the Executive Directors, has entered into a service agreement with the Company for a period of two years and continuing thereafter on a yearly basis until terminated by either party giving to the other not less than six months' notice.

The term of office of each of the Independent Non-Executive Directors is the period to his retirement by rotation in accordance with the Company's Articles of Association.

Subject to the above, there are no service contracts, which are not determinable by the Company within one year without payment of compensation (other than statutory compensation), of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, the interests and short positions of the directors and their associates in the share capital and underlying shares 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 ("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 Directors of Listed Companies were as follows:—

Long positions

Ordinary shares of HK\$0.001 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Han Junran	Beneficial owner <i>(Note i)</i>	13,587,900	5%



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

(Continued)

Note:

- (i) Pursuant to a share charge entered into between New Rank Groups Limited ("NRG"), a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited ("Royal Bank Trustee"), and Mr. Han Junran as chargors and Starry Joy Properties Investment Ltd. ("Starry Joy"), a wholly-owned subsidiary of Poly (Hong Kong) Investments Limited (formerly known as Continental Mariner Investment Company Limited) ("Poly HK"), as chargee dated 23 June 2003, among other things, Mr. Han Junran charged his interest 5% of the issued share capital of the Company, representing 13,587,900 shares of the Company, in favour of Starry Joy.

Other than as disclosed above, none of the directors nor their associates had any interests and short positions in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded in the register 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.

SHARE OPTION SCHEME

Details of the share options scheme of the Company are set out in note 32 to the financial statements. A summary of the movements are set out as follows:—

	Option type	Date of grant	Exercise Period	Outstanding at the beginning of the year	Lapsed during the year	Outstanding at the end of the year
Mr. Han Junran, director	2001B	15 February 2001	15 February 2001 to 14 February 2004	5,000,000	(5,000,000)	—
Employees	2001C	21 February 2001	21 February 2001 to 20 February 2004	1,000,000	(1,000,000)	—
Total of all categories				<u>6,000,000</u>	<u>(6,000,000)</u>	<u>—</u>

No options have been granted or exercised during the year and all the outstanding options were lapsed during the year.



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ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed, at no time during the year 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, and neither the directors nor any of their spouse or children under the age of 18, had any rights to subscribe for the securities of the Company, or exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract 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.

MANAGEMENT CONTRACT

The Company had entered into a management contract with Million Rich Consultants Limited ("Million Rich") during the year ended 31 December 2003 for the provision of administrative and financial advisory services to the Group. An amount of HK\$3,600,000 was paid. The contract is determinable by either party giving to the other party to the agreement of six months' notice. No director of the Company has any interest in Million Rich.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 December 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of a director of the Company, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company :

Name of shareholder	Capacity	Number of issued ordinary shares held (long position (L)/ short position (S))	Percentage of the issued share capital of the Company
Poly HK	Person having a security Interest in shares (<i>Note 1</i>)	67,939,500 (L)	25%
NRG	Beneficial owner (<i>Notes 1 and 2</i>)	54,351,600 (L) 54,351,600 (S)	20%



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SUBSTANTIAL SHAREHOLDERS' INTEREST *(Continued)*

Name of shareholder	Capacity	Number of issued ordinary shares held (long position (L)/ short position (S))	Percentage of the issued share capital of the Company
Silver World Limited	Note 2	54,351,600 (L) 54,351,600 (S)	20%
Royal Bank Trustee	Note 3	54,351,600 (L) 54,351,600 (S)	20%
Wei Ping	Beneficial owner	47,032,000 (L)	17.31%
Lu Shu Guang	Notes 1 and 5	13,587,900 (L)	5%

Notes :

- (1) Pursuant to a share charge entered into between NRG and Mr. Han Junran as chargors and Starry Joy, a wholly-owned subsidiary of Poly HK, as chargee dated 23 June 2003, NRG and Mr. Han Junran charged their respective interests in 20% and 5% of the issued share capital of the Company, representing 54,351,600 shares and 13,587,900 shares of the Company respectively, in favour of Starry Joy. By virtue of its shareholding in Starry Joy, Poly HK is deemed to be interested in 67,939,500 shares of the Company under the SFO.
- (2) NRG is a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank Trustee.
- (3) Royal Bank Trustee is the trustee of a discretionary trust called New Rank Trust. The beneficiaries of the New Rank Trust include a holding company and its wholly-owned subsidiary and certain relatives of Mr. Leung Kwo and Mr. Lau Shun, wife of Mr. Leung Kwo, provided that such individuals are not residents of Canada of tax purpose nor residents of the PRC. The holding company is wholly-owned by another discretionary trust called Hold Trust.
- (4) The beneficiaries under the Hold Trust include the lineal descendants (together with their spouses) of every degree of consanguinity of the paternal grandfather and maternal grandfather of each of Mr. Leung Kwo and Ms. Lau Shun provided that they are not residents of Canada for tax purposes nor residents of the PRC.
- (5) Ms. Lu Shu Guang is the spouse of Mr. Han Junran, a Director and Chairman of the Company. Ms. Lu is deemed interested in the 13,587,900 shares of the Company held by Mr. Han Junran under the SFO.



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SUBSTANTIAL SHAREHOLDERS' INTEREST *(Continued)*

So far as is known to any director of the Company, the only company (other than members of the Group) directly or indirectly interested in 5% or more of the voting power at general meetings of the subsidiaries of the Company is set out below :

Name of owner	Name of subsidiary	Percentage of equity interest
Guozheng Economic Development Company Limited ("Guozheng") <i>(Note 1)</i>	Beijing Zhong Zheng Real Estate Development Co., Ltd ("Beijing Zhong Zheng")	34%
Starry Joy <i>(Note 2)</i>	Tong Sun Limited ("Tong Sun")	49%

Notes :

(1) Beijing Zhong Zheng was established on 5 June 1995. Its existing joint venture partners are Tong Sun, a subsidiary of the Company, Guozheng and Beijing Finance Street Construction & Development Co. Ltd. ("Finance Street Development") and its capital contributions are as to 66% by Tong Sun and 34% by Guozheng. Pursuant to an agreement entered into between Finance Street Development, Guozheng and Tong Sun on 9 October 1999, Tong Sun became entitled to 100% of the economic benefit of Beijing Zhong Zheng and Guozheng becomes entitled to a fixed distribution by way of the ownership right of an office space in the China Securities Plaza, the property being developed by Beijing Zhong Zheng, of gross floor area of 7,000 square metres upon the completion of construction of the China Securities Plaza.

(2) Starry Joy is entitled to a preferred dividend of HK\$94.6 million of Tong Sun and repayment of its loan and loan from Poly HK together with interest accrued thereon are in priority over the preferred dividend payment to the Group by Tong Sun, which is up to HK\$136 million. After the payment of the aforesaid preferred dividend payments and repayment of all loans from Starry Joy and Poly HK, dividend and/or distribution to be declared by Tong Sun will be in the following proportion:

The Group : 75%

Starry Joy : 25%

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions as at 31 December 2004 representing 5% or more of the issued share capital of the Company.



REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 41 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2004, turnover attributable to the Group's largest customer accounted for approximately 29% of the Group's consolidated turnover and aggregate turnover attributable to the five largest customers of the Group accounted for approximately 78% of the Group's consolidated turnover.

For the year ended 31 December 2004, purchases attributable to the Group's largest supplier accounted for approximately 44% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 69% of the Group's total purchases.

To the knowledge of the directors, none of the directors, or their respective associates, or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest customers or suppliers.



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AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2003 and 2002 were audited by Messrs. Deloitte Touche Tohmatsu.

Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company on 31 March 2005. Messrs. KLL Associates CPA Limited was appointed as auditors of the Company on 1 April 2005 to fill the casual vacancy.

A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. KLL Associates CPA Limited.

On behalf of the Board

Han Junran

Chairman

Hong Kong, 26 April 2005