

The present directors ("Directors") present their annual report and the audited financial statements for the year ended 31 December 2004.

### Books and Records

As explained in note 2 to the financial statements, the Directors have prepared their report and the financial statements with reference to the financial information prepared by former receivers and managers of the Company who were appointed on 17 June 2003 and discharged on 2 July 2004 (the "Receivers"). However, the Receivers declined to give representation that all transactions affecting the Group for the period from 1 January to 1 July 2004 had been recorded in the books and records of the Group and on this basis they disclaimed all liabilities in respect of the financial statements for that period.

In light of the above, the Directors appointed an independent professional accounting firm to examine and reconstruct the books and records of the Company and its subsidiaries based on the information and documents including bank statements and other supporting vouchers obtained from or prepared by the Receivers together with all other available information including intra-group accounts and publicly available transactional details.

The independent professional accounting firm performed an entry by entry review and reconstruction where necessary and is satisfied with the completeness of the receipt and payment records of the Group prepared by the Receivers for the period from 1 January to 1 July 2004. Work done by the independent professional accounting firm included, inter alia, cross-checking all payment and receipt records of the Group prepared by the Receivers against the bank statements and other supporting vouchers for the period from 1 January to 1 July 2004, performing monthly bank accounts reconciliation and balance checks against group companies. In the course of their work, nothing has come to their attention that there could be missing assets or unrecorded liabilities.

Save for Park Well International Group Limited ("Park Well"), all other Park Well group companies have no intra-group balances with the Company. The amount due from Park Well to the Company has been substantially provided for in the books of the Company, and investment cost in Park Well has also been fully provided for. Accordingly, the integrity and reliability of the holding company accounts are not affected by the reconstruction of books and records of Park Well.

Based on the work conducted as described above, and given the fact that no claim has come to light during and after the receivership period, the mandatory general offer made by the existing controlling shareholder and the scheme of arrangement for one of the Group's subsidiaries, all of which attracted publicity and in all likelihood would have aroused claims, the Directors are satisfied that the financial information contained in the financial statements and the actual state of affairs of the Company and the Group for the period from 1 January to 1 July 2004 are free from material omissions or misstatements.

### **De-consolidation of Chaoyang Hua Loong Textiles and Dyeing Limited ("Chaoyang Hua Loong")**

The books and records of certain of the Company's subsidiaries, namely, Park Well and its subsidiaries (hereinafter collectively referred to as the "Park Well Group") were reconstructed based on their management accounts as at 31 March 2003. The Receivers and the Directors (who have separately obtained a legal opinion from the Company's legal advisers) have taken the view that, despite the Park Well disposal agreement in April 2003, the purported disposal of Park Well was rescinded and not completed and therefore the Group remains to be the beneficial owner of Park Well. Pursuant to the court order for the appointments of Receivers, the Receivers were ordered to exercise any powers of the Company as shareholders/joint venture partners and/or directors and officers of Park Well group companies. A "stop notice" was sent by the Receivers to Park Well, its then director and the relevant authorities in November 2003 and put them on notice of the Company's interest in the relevant shares of the Park Well Group. According to the court order, the Receivers were the only parties who had the powers to manage the affairs of the Group, including that of the Park Well Group.

The Company has attempted to appoint its nominee to replace the existing legal representative of Chaoyang Hua Loong, who was appointed before the Company's receivership, but encountered resistance from the said legal representative and in effecting the relevant filing and registration with the authorities of the People's Republic of China. Despite the fact that the Company, through its subsidiaries, maintains ultimate ownership over the registered paid up capital of Chaoyang Hua Loong, the Company has no control on its existing legal representative nor on its assets or operations.

The Directors have appointed PRC lawyers to confirm the integrity of the Group's chain of title to Chaoyang Hua Loong's assets, but to their dismay, title to the property interests of Chaoyang Hua Loong was revealed on public PRC records to have been transferred on no discernable basis to a third party which does not belong to the Group.

Based on the above, the Board believes that it is prudent to fully provide for the investment cost in, and amount due from, Chaoyang Hua Loong in the financial statements, despite the intention of the Company to seek legal advice and take legal actions for the recovery of its interests.

### **Principal Activities**

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 27 to the financial statements.

### **Results**

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 15.

### **Property, Plant and Equipment**

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

## Directors

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

### Executive directors:

Yue Jialin (*Chairman*) (appointed on 26 April 2004)  
Lau Yau Cheung, Brent (appointed on 26 April 2004)  
Mo Yuk Ping (removed on 26 April 2004)  
Gong Bei Ying (removed on 26 April 2004)

### Independent non-executive directors:

Wong Wing Kuen, Albert (appointed on 6 July 2004)  
Tsui Robert Che Kwong (appointed on 6 July 2004)  
Wu Guo Jian (appointed on 6 July 2004)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Lau Yau Cheung, Brent and Mr. Wong Wing Kuen, Albert will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All of the remaining directors shall continue in office.

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

## Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2004, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

### (a) Long positions in shares of the Company

Name of director	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Yue Jialin	262,602,000	Interest of controlled corporation in 262,602,000 shares (Note)	63.58%

Note: These shares are registered in the name of, and beneficially owned by, Profit Harbour Investments Limited ("Profit Harbour"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yue Jialin.

### (b) Long positions in underlying shares and debentures and short positions in shares, underlying shares and debentures

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Save as disclosed above, neither the Directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2004 as defined in Section 352 of the SFO.

### Share Options

Particulars of the Company's share option schemes are set out in note 18 to the financial statements.

No options were granted to the Directors during the year ended 31 December 2004 and no options were held by the Directors as at 31 December 2004.

### Arrangements to Purchase Shares or Debentures

Save as disclosed under the section headed "Share Options" above, at no time during the year was the Company, its holding 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.

### Connected Transactions and Directors' Interests in Contracts of Significance

- (i) On 21 November 2002, a sub-tenancy agreement (the "Sub-tenancy Agreement") was entered into between Worldmark (Far East) Limited ("Worldmark"), a wholly-owned subsidiary of the Company, and Profitex Investments Limited ("Profitex"), a wholly-owned subsidiary of Shanghai Land Holdings Limited ("Shanghai Land"), in respect of the sub-leasing of 2,487 square feet of the office premises located at 67th Floor, The Center, 99 Queen's Road Central, Hong Kong by Profitex to Worldmark for a term commencing on 4 August 2002 and expiring on 19 June 2005 inclusive at the following rentals:

Period	Monthly rent (approximately HK\$)
4 August 2002-31 May 2004	74,610
1 June 2004-30 June 2004	63,667
1 July 2004-31 May 2005	44,766
1 June 2005-19 June 2005	28,352

A rent free period (the "Rent Free Period") of 6 months in total, by stages in an aggregate amount of HK\$447,660 had been granted by Profitex to Worldmark pursuant to a supplemental agreement to the Sub-tenancy Agreement dated 17 January 2003. The first 3 months of the Rent Free Period were granted and ratified for the period from 1 September 2002 to 30 November 2002 and the remaining 3 months of the Rent Free Period were granted for the period from 1 June 2003 to 31 August 2003.

The substantial shareholders (as defined under the Listing Rules) of Shanghai Land and the Company, respectively, at the time the relevant agreements were entered into were New Nongkai Global Investments Limited and Angel Field Limited ("Angel Field"), which were both 100% beneficially owned by Mr. Chau Ching Ngai, the chairman of Shanghai Land and the spouse of Ms. Mo Yuk Ping, former chairman of the Company. Accordingly, the relevant agreements entered into constituted connected transactions under the Listing Rules.

- (ii) Worldmark and Profitex also entered into a management agreement for a term of three years commencing on 1 August 2002. Pursuant to the agreement, Profitex agreed

to provide management service to Worldmark for a fee. The management fee paid for the year amounted to HK\$100,446 (2003: HK\$168,400).

Other than as disclosed above, 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 year or at any time during the year.

### Substantial Shareholders

As at 31 December 2004, the following shareholders were interested in more than 5% of the shares and underlying shares of the Company according to the register required to be kept under Section 336 of Part XV of the SFO:

### Long positions in shares of the Company

Name of substantial shareholder	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Profit Harbour (Note)	262,602,000	Beneficial owner	63.58%
Yue Jialin	262,602,000	Interest of controlled corporation in 262,602,000 shares (Note)	63.58%

Note: The entire issued share capital of Profit Harbour is owned by Mr. Yue Jialin. Accordingly, Mr. Yue Jialin is deemed to be interested in all the shares in which Profit Harbour is interested pursuant to the SFO.

Save as disclosed above, no other person had interests or short positions in the shares and underlying shares of the Company, which are recorded in the register to be maintained by the Company pursuant to Section 336 of Part XV of the SFO.

### Directors' Interests in Competing Businesses

The Directors are of the opinion that during the year ended 31 December 2004, the directors of the Company had no interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

### Purchase, Sale or Redemption of the Company's Listed Securities

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

### Major Customers and Suppliers

During the year, the Group's three customers in aggregate accounted for the entire turnover of the Group and the largest customer, the sole agent of the Group's base metal trade, accounted for approximately 60.6% of the total turnover of the Group.

The aggregate purchases attributable to the Group's three suppliers during the year accounted for the entire purchases of the Group and the largest supplier, the sole agent of the Group's base metal trade, accounted for approximately 62.7% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers and suppliers of the Group.

### Audit Committee

The audit committee of the Company comprises the three independent non-executive directors of the Company which was established on 6 July 2004. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2004 with the management of the Company.

### Corporate Governance

The Directors are unable to form an opinion as to whether the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules during the period from 1 January 2004 to 1 July 2004 (the period under receivership).

For the period from 2 July to 31 December 2004 (the period when the Directors were in control), the Company has fully complied with the Code except that (i) the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Bye-laws; and (ii) the guidelines set out in paragraph 14 of the Code were not complied with until the formation of the Audit Committee on 6 July 2004 following the Directors' resumption of powers to manage the affairs of the Company on 2 July 2004.

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

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). Having made specific enquiry, the Company confirmed that all Directors had complied with the required standard as set out in the Code.

### 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.

### Public Float

As at the date of this Report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

### Post Balance Sheet Events

Details of the significant post balance sheet events are set out in note 26 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

#### Yue Jialin

*Chairman*

Hong Kong, 26 April 2005