

The Board is pleased to present their report and the audited financial statements for the year ended 30th June 2005.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries and the Group's jointly controlled entity as at 30th June 2005 are set out in notes 13 and 14 to the financial statements.

## RESULTS

The results of the Group for the year ended 30th June 2005 are set out in the consolidated income statement on page 26 of the annual report.

The Board did not recommend the payment of a dividend during the year.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 80 of the annual report.

## SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTE

During the year, the Company issued and allotted 400,000,000 shares in the Company of HK\$0.01 each at HK\$0.056 per share.

As a result of the exercise of the options to subscribe for shares in the Company, the Company further issued and allotted a total number of 142,790,000 shares of HK\$0.01 each at exercise price from HK\$0.0127 to HK\$0.067 per share, details of which are set out in note 20 to the financial statements.

Details of the movements in the share capital, share options and convertible note of the Company during the year are set out in notes 19, 20 and 23 to the financial statements respectively.

## PROPERTY, PLANT AND EQUIPMENT

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

## SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

Particulars of the Company's subsidiaries and the Group's jointly controlled entity as at 30th June 2005 are set out in notes 13 and 14 to the financial statements.

## DIRECTORS

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

### Executive directors:

Wong Kam Fu (*Chairman*)

Wong Hoi Keung (*Managing Director*)

Lew Mon Hung

Song Xiao Hai

Wong Hong Loong

Wang Zhao Bin (resigned on 6th July 2004)

### Independent non-executive directors:

Wong Che Man, Eddy

Ha Ping

Cheng Kong Ming (appointed on 30th September 2004)

In accordance with clause 99 of the Company's Bye-laws, Mr. Lew Mon Hung and Mr. Song Xiao Hai will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his retirement by rotation as required by the Company's Bye-laws.

No director being proposed for re-election at the forthcoming annual general meeting has any 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.

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

During the year ended 30th June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS' INTERESTS IN SECURITIES

At 30th June 2005, the interests and short positions of the Directors and their respective associates in the shares, underlying shares and convertible notes of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### Long positions in shares, underlying shares and convertible notes of the Company

Name of director	Number of shares held		Underlying shares		Total interests	Approximate percentage (including underlying shares) of the issued share capital
	Personal interest	Corporate interest	Share options	Convertible notes		
Wong Kam Fu	129,000,000	2,847,266,543 (Note 1)	100,000,000	198,750,000 (Note 2)	3,275,016,543	30.27
Lew Mon Hung	–	–	100,000,000	–	100,000,000	0.92
Song Xiao Hai	–	–	100,000,000	–	100,000,000	0.92
Wong Hoi Keung	–	–	74,000,000	–	74,000,000	0.68
Wong Hong Loong	–	–	50,000,000	–	50,000,000	0.46
Ha Ping	–	–	1,000,000	–	1,000,000	0.01
Wong Che Man, Eddy	–	–	1,000,000	–	1,000,000	0.01
Cheng Kong Ming	–	–	1,000,000	–	1,000,000	0.01

#### Notes:

- 2,183,516,543 and 663,750,000 shares are held by Sheung Hai Developments Limited ("Sheung Hai") and Alpha Logistics Group Limited ("Alpha Logistics") respectively and Sheung Hai and Alpha Logistics are wholly-owned by Mr. Wong Kam Fu. By virtue of SFO, Mr. Wong Kam Fu was deemed to be interested in all of the 2,847,266,543 shares.
- Convertible notes (the "Notes") in the principal sum of HK\$15,900,000 with conversion price of HK\$0.08 per share were held by Alpha Logistics. The maximum number of ordinary shares of HK\$0.01 each in the capital of the Company which may be issued upon full conversion of the Notes is 198,750,000. By virtue of SFO, Mr. Wong Kam Fu was deemed to be interested in the 198,750,000 shares.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations as at 30th June 2005.

## SHARE OPTIONS

Particulars of the share option scheme of the Company are set out in note 20 to the financial statements.

Details of the movements in the share options during the year ended 30th June 2005 were as follows:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK\$	Outstanding	Granted	Exercised	Cancelled/ lapsed	Outstanding	Market value	Option
				as at 01.07.2004	during the year	during the year	during the year	as at 30.06.2005	per share at date of grant HK\$	value per share HK\$
<b>(a) Directors</b>										
Wong Kam Fu	30.10.2002	30.10.2002 – 29.10.2004	0.0386	100,000,000	-	(100,000,000)	-	-	0.049	N/A
	18.10.2004	18.10.2004 – 17.10.2006	0.0670	-	100,000,000	-	-	100,000,000	0.066	0.020185
Lew Mon Hung	18.10.2004	18.10.2004 – 17.10.2006	0.0670	-	100,000,000	-	-	100,000,000	0.066	0.020185
Song Xiao Hai	18.10.2004	18.10.2004 – 17.10.2006	0.0670	-	100,000,000	-	-	100,000,000	0.066	0.020185
Wong Hoi Keung	18.10.2004	18.10.2004 – 17.10.2006	0.0670	-	100,000,000	(26,000,000)	-	74,000,000	0.066	0.020185
Wong Hong Loong	18.10.2004	18.10.2004 – 17.10.2006	0.0670	-	50,000,000	-	-	50,000,000	0.066	0.020185
Ha Ping	04.11.2004	04.11.2004 – 03.11.2006	0.0600	-	1,000,000	-	-	1,000,000	0.060	0.018225
Wong Che Man, Eddy	04.11.2004	04.11.2004 – 03.11.2006	0.0600	-	1,000,000	-	-	1,000,000	0.060	0.018225
Cheng Kong Ming	04.11.2004	04.11.2004 – 03.11.2006	0.0600	-	1,000,000	-	-	1,000,000	0.060	0.018225
Total for directors				100,000,000	453,000,000	(126,000,000)	-	427,000,000	-	-
<b>(b) Employees, in aggregate</b>										
	02.08.2001	02.08.2001 – 01.08.2004	0.4000	256,250	-	-	(256,250)	-	0.400	N/A
	01.09.2001	01.09.2001 – 31.08.2004	0.4000	100,000	-	-	(100,000)	-	0.400	N/A
	28.11.2003	28.11.2003 – 27.11.2005	0.0127	300,000	-	(300,000)	-	-	0.015	N/A
	04.11.2004	04.11.2004 – 03.11.2006	0.0600	-	96,500,000	(16,490,000)	(3,000,000)	77,010,000	0.060	0.018225
	21.01.2005	21.01.2005 – 20.01.2007	0.0680	-	20,000,000	-	-	20,000,000	0.068	0.020817
Total for employees				656,250	116,500,000	(16,790,000)	(3,356,250)	97,010,000	-	-
<b>(c) Others, in aggregate</b>										
	04.11.2004	04.11.2004 – 03.11.2006	0.0600	-	5,000,000	-	-	5,000,000	0.060	0.018225
Total for the Scheme				100,656,250	574,500,000	(142,790,000)	(3,356,250)	529,010,000	-	-

## **SHARE OPTIONS** (Continued)

### **Valuation of Share Options**

The valuation of share options is set out in note 21 to the financial statements.

## **RETIREMENT BENEFIT SCHEME**

Details of the Group's retirement benefit scheme for the year ended 30th June 2005 are set out in note 2(o) to the financial statements.

## **DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURE**

Save as disclosed in the section headed "Directors' Interests in Securities" disclosed above, at no time during the year was the Company or its subsidiaries or jointly controlled entity a party to any arrangement that enabled any Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

None of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

## **CONNECTED TRANSACTION**

On 1st July 2004, a convertible note in face value of HK\$15,900,000 have held by Alpha logistics which is wholly owned by the chairman, Wong Kam Fu.

The convertible note bears interest at 2% per annum and mature on 10th June 2007. The Group paid interest expenses on convertible note of approximately HK\$318,000 (2004: Nil) and no convertible note has been exercised during the year and up to the date of this report.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date hereof, none of the Directors or the management shareholders or the substantial shareholders of the Company, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Based upon the said confirmations, the Company considers that Ms. Ha Ping, Mr. Cheng Kong Ming and Mr. Wong Che Man, Eddy to be independent.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June 2005, so far as known to the Directors or chief executives of the Company, the following persons/entity are the substantial shareholders (other than the interests and short positions of the Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

### Long positions in shares and underlying shares of the Company

Name	Type of Interest	Number of shares held	Total interest	Approximate interest as a percentage of the issued share capital
Lam Ching Kui	Personal	787,688,000	1,041,976,000	9.63
	Corporate	254,288,000 <i>(Note 1)</i>		
Chan Oi Mo	Spouse	1,041,976,000 <i>(Note 2)</i>	1,041,976,000	9.63
The Hong Kong Beijing Finance and Investment Limited	Corporate	1,020,000,000	1,020,000,000	9.43

## SUBSTANTIAL SHAREHOLDERS (Continued)

### Notes:

- (1) 254,288,000 shares are held by Chinese Success Limited ("Chinese Success"), which is wholly-owned by Mr. Lam Ching Kui. By virtue of SFO, Mr. Lam Ching Kui was deemed to be interested in all of the 254,288,000 shares.
- (2) Ms. Chan Oi Mo is the spouse of Mr. Lam Ching Kui. By virtue of SFO, Ms. Chan Oi Mo was deemed to be interested in all of Mr. Lam Ching Kui's interests in the 1,041,976,000 shares.

Other than as disclosed above, the Company has not been notified by any other person (other than the Directors or chief executives of the Company) who has interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance or had otherwise notified the Company as at 30th June 2005.

## MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

## DONATION

During the year, the Group made charitable donations totaling HK\$11,019.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th June 2005, the five largest customers accounted for approximately 29% of the Group's turnover, while the largest and five largest suppliers accounted for approximately 48% and 70% of the Group's purchases respectively.

At no time during the year, were any of the Directors, their associates or the shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's issued share capital, have any interests in the above customers or suppliers.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

## PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at all times during the year under review.

## CORPORATE GOVERNANCE

The information set out on pages 17 to 24 and information incorporated by reference constitutes the Corporate Governance Report of the Company.

## POST BALANCE SHEET EVENTS

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

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the recommendations set out in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code. The duties of the audit committee include reviewing the Company's annual reports and interim reports and providing advice and comments thereon to the Directors. The audit committee is also responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

As at the date of this report, the audit committee comprises three independent non-executive Directors, namely, Mr. Wong Che Man, Eddy, Ms. Ha Ping and Mr. Cheng Kong Ming with Mr. Wong being the chairman of the committee. During the year, the audit committee has held three regular meetings. The audited financial statements of the Company for the year ended 30th June 2005 have been reviewed by the audit committee.



## AUDITORS

Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte"), tendered their resignation as auditors of the Company on 18th May 2005. The financial statements of the Company for the years ended 30th June 2003 and 2004 were audited by Deloitte.

Ho and Ho & Company ("Ho & Ho") was appointed as the auditors of the Company and its subsidiaries following the resignation of Deloitte on 18th May 2005 to hold office until the conclusion of the forthcoming annual general meeting of the Company.

The financial statements of the Company for the year ended 30th June 2005 were audited by Ho & Ho and there have been no other changes of auditors of the Company in the past three years.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Ho and Ho & Company as auditors of the Company.

On behalf of the Board

### **WONG KAM FU**

*Chairman*

Hong Kong, 21st October 2005