

The directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2004.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in investment holding, property development and general trading.

## RESULTS

The results of the Group for the year ended 30 June 2004 are set out in the consolidated income statement on page 13.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 12 to the financial statements.

Particulars of the properties of the Group as at 30 June 2004 are set out on page 44.

## DIRECTORS

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

### *Executive directors:*

Law Fong (*Acting Chairman*)

Chen Te Kuang Mike (*appointed on 30 April 2004*)

Zhou Shiji (*resigned on 1 February 2004*)

### *Non-executive director:*

Oung Shih Hua, James

### *Independent non-executive directors:*

Zhu Pei Qing

Lu Ti Fen (*appointed on 28 July 2003*)

Kwok Wai Chi (*appointed on 30 September 2004*)

Cao Dacheng (*resigned on 29 July 2003*)

In accordance with the provisions of the Company's Bye-laws, Messrs. Chen Te Kuang Mike and Kwok Wai Chi retire and, being eligible, offer themselves for re-election.

The term of office for each non-executive, is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

None of the directors 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).

## DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2004, the interests and short positions of the directors of the Company and their associates in the shares and underlying shares of the Company or any of 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 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 the Listed Companies (the "Model Code") were as follows:

Ordinary shares of HK\$0.50 each of the Company (long position):

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Chen Te Kuang Mike	Beneficial owner	5,000,000	0.95%
	Held by a controlled corporation ( <i>Note</i> )	21,035,000	3.98%
		<hr/> 26,035,000	<hr/> 4.93%
Oung Shih Hua, James	Beneficial owner	5,000,000	0.95%

*Note:* These shares are held by Goldenfield Equities Limited, a company in which Mr. Chen Te Kuang Mike has beneficial interest.

Save as disclosed above, as at 30 June 2004, none of the directors of the Company had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the persons (other than the directors of the Company) who had interests and short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Five Star Investments Limited ("Five Star")	Beneficial owner	267,815,017	50.7%

Other than as disclosed above, as at 30 June 2004 the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

## SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Details of the Company's share option scheme are set out in note 21 to the financial statements. No share options have been granted under the scheme since its adoption.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the spouses or children under the age of 18 of the directors had any right to subscribe for the securities of the Company or had exercised such rights during the year.

## DIRECTORS' INTEREST 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER**

The Group entered into a loan agreement with a bank during the year for which security has been provided by Five Star, the controlling shareholder of the Company. Five Star has pledged its holding of 267,815,017 ordinary shares of HK\$0.5 each in the Company to secure the term loan facilities in the aggregate principal amount of HK\$700,000,000.

## **CONNECTED TRANSACTIONS**

Details of the connected transactions entered into during the year are set out in note 29 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

## **PURCHASE, SALE AND REDEMPTION OF SHARES**

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

## **AUDIT COMMITTEE**

The audit committee comprises one non-executive director and three independent non-executive directors and reports to the board of the directors. The audit committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

## **POST BALANCE SHEET EVENT**

Details of a significant event occurred after the balance sheet date are set out in note 30 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

*Law Fong*  
*ACTING CHAIRMAN*

Hong Kong  
19 October 2004