

Directors' Report

The directors present the annual report and the audited financial statements of the Group for the year ended 30th June, 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 37 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers and suppliers of the Group accounted for approximately 83.8% and 80.9% of the Group's turnover and purchases.

The largest customer accounted for approximately 47.9% of the turnover of the Group. The largest supplier accounted for approximately 29.4% of the purchase of the Group.

None of the directors, their associates or any shareholders (which, to the knowledge of the directors, owns more than 5% of the Company's issued share capital) had any interest in five largest customers or suppliers respectively.

RESULTS

The results of the Group for the year ended 30th June, 2004 are set out in the consolidated income statement on page 18.

The directors do not recommend the payment of a dividend for 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 59.

INVESTMENT PROPERTIES

During the year, investment properties of the Group was revalued by an independent firm of professional property valuers on an open market value basis at HK\$78 million. The revaluation increase of the investment properties of HK\$16 million has been credited to the consolidated income statement.

Details of movements in the investment properties of the Group during the year are set out in note 11 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

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SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Lu Liang

Mr. Ng Yan

Mr. Tao Wei Ming

Mr. Tsang Kar Tong

(appointed on 16th September, 2003)

Mr. Ho Yuk Ming, Hugo

(appointed on 22nd March, 2004 and
resigned on 30th September, 2004)

Mr. Lo Lap Ho

(resigned on 30th June, 2004)

Independent Non-Executive Directors

Mr. Cheng Sheung Hing

(appointed on 31st December, 2003)

Mr. Cheng Kwong Choi, Alexander

(appointed on 31st December, 2003)

Mr. Mui Chok Wah

(appointed on 30th September, 2004 and
resigned on 23rd November, 2004)

Ms. Lyn Yee Chen, Jean

(appointed on 23rd November, 2004 and
retired on 30th December, 2004)

Mr. Kurt Franz Hanke

(retired on 31st December, 2003)

Ms. Lau Heung Ping

(retired on 31st December, 2003)

In accordance with Articles 94 and 102 (A) of the Company's Articles of Association, Messrs. Lu Liang, Ng Yan, Tsang Kar Tong, Tao Wei Ming, Cheng Sheung Hing and Cheng Kwong Choi, Alexander retired at the 2004 annual general meeting held on 30th December, 2004 ("AGM") and were re-elected as directors of the Company at the AGM. Ms. Lyn Yee Chen, Jean retired at the AGM and did not offer for re-election.

The terms of office of the independent non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

None of the directors had 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.

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SHARE OPTIONS

Under the Company's share options schemes, details of which are set out in note 26 to the financial statements, a director of the Company has personal interests in share options to subscribe for the shares of the Company and details of movements during the year are as follows:

Name of director	Scheme type	Month of grant	Exercisable period	Number of share options	
				Exercise price HK\$	Outstanding at 1.7.2003 & 30.6.2004
Mr. Lu Liang	1999	May 2002	24th May, 2002 to 23rd May, 2012	0.202	25,835,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under section "Share Options", 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.

DIRECTORS' INTERESTS IN SHARES

Save as disclosed under section "Share Options", none of the directors, chief executives nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 30th June, 2004.

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SUBSTANTIAL SHAREHOLDERS

At 30th June, 2004, the register of substantial shareholders maintained by the Company under Part XV of the Securities and Futures Ordinance showed that the following persons had an interest of 5% or more in the Company's issued share capital:

Name of shareholder	Notes	Number of ordinary shares of the Company held		
		Direct interest	Deemed interest	Percentage of shareholding
Ventures Victory Limited		227,325,000		7.93%
East Marton Group Limited		275,928,500		9.62%
KG Investments Holdings Limited	1	275,928,500		9.62%
Absolute Rich Assets Limited ("Absolute Rich")	2	99,830,000		3.48%
Precise Time International Limited ("Precise Time")	2	61,880,000		2.16%
Success Pacific Enterprises Limited ("Success")	2	99,830,000		3.48%
Mr. Li Jian Min	2		261,540,000	9.12%
Ambang Jaya Sdn. Bhd. ("Ambang")	3	166,615,000		5.81%
Angkasa Marketing (Singapore) Pte Limited ("Angkasa")	3	75,000,000		2.62%
Amsteel Corporation Berhad ("Amsteel")	3		241,615,000	8.43%
Mr. Cheng Heng Jem	4		241,615,000	8.43%
ATNT Global Investments Co. Limited ("ATNT Global")	5	180,030,000		6.28%
Asia Tele-net and Technology Corporation Limited ("Asia Tele-net")	5		180,030,000	6.28%
Cyber Relationship Limited ("Cyber")	6	175,000,000		6.10%
China National Real Estate Development Group Company	6		175,000,000	6.10%
Kargill High Growth Fund		165,000,000		5.75%



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SUBSTANTIAL SHAREHOLDERS (cont'd)

Notes:

1. KG Investments Holdings Limited is deemed to be interested in the Company's shares held by Global Treasure Investments Limited, its indirect subsidiary, by means of holding indirect and direct controlling interests in KGI International Holdings Limited and KGI Limited.
2. Mr. Li Jian Min is deemed to be interested in the Company's shares in which Absolute Rich, Precise Time and Success are interested.
3. Ambang and Angkasa are wholly-owned subsidiaries of Amsteel which is deemed to be interested in those shares of the Company beneficially owned by Ambang and Angkasa respectively.
4. Mr. Cheng Heng Jem is deemed to be interested in the Company's shares in which Amsteel is interested.
5. ATNT Global is a wholly-owned subsidiary of Asia Tele-net which is deemed to be interested in those shares of the Company beneficially owned by ATNT Global.
6. Cyber is a wholly-owned subsidiary of China National Real Estate Development Group Company which is deemed to be interested in those shares of the Company beneficially owned by Cyber.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the issued share capital of the Company at 30th June, 2004.

DIRECTORS' INTERESTS IN CONTRACTS

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

At 30th June, 2004, none of the Directors had any interests in competing business of the Group which was required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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.

CONNECTED TRANSACTIONS

During the year, the minority shareholder of 珠海再創通信技術有限公司 ("珠海再創"), a non-wholly owned subsidiary of the Company, made advances of approximately HK\$376,000 to 珠海再創 for working capital purposes. At the balance sheet date, the advances which remained unsettled, including the advances made in previous years, amounted to approximately HK\$6,571,000 in aggregate. The advances are unsecured and have no fixed repayment term. A portion of the advances is interest free and the rest bears interest at approximately 6.1% per year. The maximum balance of such advances outstanding during the year was approximately HK\$6,571,000. The Group accrued interest of approximately HK\$204,000 on such advances during the year. Subsequent to the balance sheet date, the minority shareholders agreed not to demand repayment until 1st January, 2006.

In the opinion of the independent non-executive directors of the Company, the above transactions have been entered into by 珠海再創 in the usual and ordinary course of business.

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CORPORATE GOVERNANCE

Due to the significant staff and management turnover within the Group during and subsequent to the year under review, the Company could not publish the final results for the year ended 30th June, 2004 (the "Final Results") and the interim results for the six months ended 31st December, 2003 (the "Interim Results") within the time frame as stipulated in the Listing Rules. The failure to publish the Final Results and dispatch the annual report to shareholders within four months of the financial year end constitute breaches of the paragraph 8(1) and 11(1) of the Listing Agreement. The failure to publish the Interim Results and dispatch the interim report to shareholders within three months from 31st December, 2003 constitute breaches of the paragraph 10(1) and 11(6) of the Listing Agreement and Rules 13.48 of the Listing Rules.

The independent non-executive director, Ms. Lyn Yee Chen, Jean, has retired on 30th December, 2004 and the Group is currently seeking for an appropriate person as the independent non-executive director so as to comply with 3.10(1) and 3.10(2) of the Listing Rules.

Saved as disclosed above, the Company has complied throughout the year ended 30th June, 2004 with the "Code of Best Practice" as set out in Appendix 14 of the Listing Rules.

An audit committee is established by the Company to review and supervise the Group's financial reporting process and internal controls. The current members of the Audit Committee are the two independent non-executive directors, Mr. Cheng Sheung Hing and Mr. Cheng Kwong Choi, Alexander. The Company is currently seeking for a member for the Audit Committee so as to comply with 3.21 of the Listing Rules. The final results for the year ended 30th June, 2004 have been reviewed by the Audit Committee.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 38 to the financial statements.

AUDITORS

The Company's financial statements for the year ended 30th June, 2003 and 2004 were audited by Messrs. Deloitte Touche Tohmatsu, while the Company's financial statements for the year ended 30th June, 2002 were audited by Messrs. Fan, Mitchell & Co., Certified Public Accountants.

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

On behalf of the Board

Ng Yan

Director

Hong Kong, 7th February, 2005