

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

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The activities of the principal subsidiaries and associates are set out in notes 17 and 19, respectively, to the financial statements. Other than the discontinuance of the Group's marble and granite business and the fuel business, further details of which are included in note 40 to the financial statements, there were no significant changes in the nature of the Group's principal activities during the year.

### **RESULTS AND DIVIDENDS**

The Group's loss 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 pages 28 to 102.

The directors do not recommend the payment of any dividend for the year ended 31 December 2004.

### **MAJOR SUPPLIERS AND CUSTOMERS**

In the year under review, purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

**SUMMARY OF FINANCIAL INFORMATION**

The following table summarises the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate. This summary does not form part of the audited financial statements.

	<b>Year ended 31 December</b>				
	<b>2004</b>	2003	2002	2001	2000
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>					
Turnover	<u>490,373</u>	<u>488,804</u>	<u>409,259</u>	<u>369,508</u>	<u>444,551</u>
Operating profit/(loss)	<b>(188,807)</b>	(167,125)	(187,537)	9,714	18,153
Share of loss of a jointly-controlled entity	—	(223)	(313)	(286)	—
Share of profits and losses of associates	<u>(3,085)</u>	<u>(22,402)</u>	<u>(11,570)</u>	<u>5,039</u>	<u>14,159</u>
Profit/(Loss) before tax	<b>(191,892)</b>	(189,750)	(199,420)	14,467	32,312
Tax	<u>(3,607)</u>	<u>(3,775)</u>	<u>(7,585)</u>	<u>(7,652)</u>	<u>(9,614)</u>
Profit/(Loss) before minority interests	<b>(195,499)</b>	(193,525)	(207,005)	6,815	22,698
Minority interests	<u>(334)</u>	<u>20,196</u>	<u>4,794</u>	<u>(49)</u>	<u>1,167</u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u><b>(195,833)</b></u>	<u>(173,329)</u>	<u>(202,211)</u>	<u>6,766</u>	<u>23,865</u>
<b>ASSETS, LIABILITIES AND MINORITY INTERESTS</b>					
Total assets	<b>972,767</b>	1,150,003	1,247,792	1,300,270	1,313,361
Total liabilities	<b>(318,072)</b>	(334,583)	(290,504)	(218,293)	(237,820)
Minority interests	<u>(5,302)</u>	<u>(3,533)</u>	<u>(23,729)</u>	<u>(46,284)</u>	<u>(46,320)</u>
	<u><b>649,393</b></u>	<u>811,887</u>	<u>933,559</u>	<u>1,035,693</u>	<u>1,029,221</u>

**FIXED ASSETS**

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

**INVESTMENT PROPERTIES**

Details of movements in the investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on page 103.

**PROPERTIES UNDER DEVELOPMENT**

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out on page 104.

**SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 33 and 34 to the financial statements.

**PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

**PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SHARES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year.

**RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated summary statement of changes in equity.

**DISTRIBUTABLE RESERVES**

At 31 December 2004, the Company had no reserves available for distribution. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof. In addition, the Company's share premium account and capital redemption reserve may be distributed in the form of fully paid bonus shares.

**DIRECTORS**

The directors of the Company during the year were as follows:

Tsui Tsin Tong

Lam Ting Ball, Paul

Sir David Akers-Jones\*

Tsui Ho Chuen, Philip

Tsui Yam Tong, Terry

Lau Wong Fat\*

Wu Tat Po (resigned on 1 October 2004)

Li Hui Yan\*

Hung Ting Ho, Richard\*\*

Danny T Wong\* (appointed on 30 September 2004)

\* independent non-executive director

\*\* non-executive director

In accordance with the Company's bye-laws, Messrs. Lau Wong Fat, Li Hui Yan and Danny T Wong will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

**DIRECTORS' INTERESTS IN CONTRACTS**

None of the directors had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

**DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation. The directors' fees payable to the directors are determined by the board of directors by reference to their duties and responsibilities and the market benchmark.

**BRIEF BIOGRAPHIES IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT**
**Directors**

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
Tsui Tsin Tong G.B.S., LL.D., JP Standing Member, National Committee of The Chinese People's Political Consultative Conference	65	Honorary Chairman	20	More than 34 years' experience in the investment and property fields
Lam Ting Ball, Paul	63	Chairman	32	More than 32 years' experience in the paint industry
Sir David Akers-Jones KBE, CMG, JP	78	Deputy Chairman and Independent Non-executive Director	14	Former Chief Secretary specialising in land planning and housing development
Tsui Ho Chuen, Philip	41	Executive Deputy Chairman	20	Solicitor
Tsui Yam Tong, Terry	59	Managing Director	18	More than 32 years' experience in administration and management
Lau Wong Fat OBE, JP	68	Independent Non-executive Director	14	More than 30 years' experience in land and property business
Li Hui Yan	63	Independent Non-executive Director	4	More than 33 years' experience in financial control and general management

**BRIEF BIOGRAPHIES IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT** (continued)

**Directors** (continued)

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
Hung Ting Ho, Richard	51	Non-executive Director	3	More than 27 years' experience in business and financial management
Danny T Wong	59	Independent Non-executive Director	1	More than 30 years' experience in finance, accounting and management

**Senior management**

The businesses of the Group are under the direct responsibility of four directors, namely, Messrs. Tsui Tsin Tong, Lam Ting Ball, Paul, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry.

Mr. Wong Chi Keung, Alvin, aged 42, Group Financial Controller, is a fellow member of the Hong Kong Institute of Certified Public Accountants. He joined the Company in July 2004.

Notes:

- (1) Mr. Tsui Tsin Tong and Mr. Tsui Yam Tong, Terry are brothers and Mr. Tsui Ho Chuen, Philip is the son of Mr. Tsui Tsin Tong.
- (2) Mr. Tsui Yam Tong, Terry is the sole director of Rapid Growth Ltd. ("RGL"), which is a substantial shareholder of the Company.
- (3) Messrs. Lau Wong Fat, Li Hui Yan and Danny T Wong, standing for re-election at the forthcoming annual general meeting, do not have any relationship with any other directors, senior management or substantial shareholders of the Company. Mr. Danny T Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified General Accountants Association of Canada.

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 December 2004, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

**(i) Shares**

Name	Note	Capacity	Number of shares				Total	Percentage of issued share capital
			Personal interests	Family interests	Corporate interests	Other interests		
Tsui Tsin Tong	1	Beneficial owner & founder of discretionary trust	6,000,000	—	—	337,473,906	343,473,906	22.41%
Tsui Ho Chuen, Philip	1	Beneficiary of trust	—	—	—	337,473,906	337,473,906	22.01%
Tsui Yam Tong, Terry	1	Beneficial owner, beneficiary of trust & interest of controlled corporation	1,124,000	—	337,473,906*	337,473,906*	338,597,906	22.09%
Lau Wong Fat		Beneficial owner	500,000	—	—	—	500,000	0.03%

\* duplication

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES** (continued)

(ii) Underlying shares

Name	Note	Capacity	Nature of equity derivative (unlisted/physically settled)	Number of underlying shares
Tsui Tsin Tong		Beneficial owner	option granted under the Company's share option scheme	38,000,000
	2	Founder of discretionary trust	option	98,000,000
Lam Ting Ball, Paul		Beneficial owner	option granted under the Company's share option scheme	10,000,000
Tsui Ho Chuen, Philip		Beneficial owner	options granted under the Company's share option schemes	37,500,000
	2	Beneficiary of trust	option	98,000,000
Tsui Yam Tong, Terry		Beneficial owner	options granted under the Company's share option schemes	37,500,000
		Interest of spouse	option granted under the Company's share option scheme	750,000
	2	Beneficiary of trust & interest of controlled corporation	option	98,000,000

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES** (continued)

Notes:

- (1) The 337,473,906 shares were held by RGL as trustee of a discretionary trust of which Mr. Tsui Tsin Tong is the founder and Messrs. Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry are the discretionary beneficiaries. Mr. Tsui Yam Tong, Terry is also the sole shareholder of RGL.
- (2) The 98,000,000 shares were owned by Broadsino Investment Company Limited ("Broadsino"). RGL has granted an option to Broadsino to sell to RGL all or any part of such shares exercisable at any time during the term of the option. RGL was taken to be interested in these underlying shares under the SFO. By virtue of the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry in RGL as disclosed in note (1) above, each of them was deemed under the SFO to be interested in such underlying shares.

Details of the options granted to the directors of the Company under the Company's share option schemes are disclosed in the heading "Share option schemes" below.

Save as disclosed above, as at 31 December 2004, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the directors and the chief executives had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the year under review.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than under the share option schemes of the Company pursuant to which options were granted to certain directors.

**SHARE OPTION SCHEMES**

The Company's existing share option scheme (the "Scheme") was adopted on 28 June 2002. The key terms of the Scheme are summarised below:

- (i) the purposes of the Scheme are to recognise and motivate the participants of the Scheme that made contributions to the Group and to attract and retain high calibre employees of the Group;
- (ii) the participants of the Scheme include any employee, director, supplier, customer and securities holder of the Company, its subsidiaries or any entity in which the Group holds an equity interest and any person or entity that provides research, development or other technological support to such companies;
- (iii) the total number of shares available for issue under the Scheme is 152,818,819 which represents about 10% of the issued share capital of the Company as at the date of this report;
- (iv) the total number of shares issued and to be issued upon exercise of the options granted to each participant (including the exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless it is approved by the shareholders in general meeting;
- (v) an option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the directors to the grantee, but in any event not beyond the 10-year period after the date of grant;
- (vi) the subscription price of a share in respect of any option granted shall not be lower than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share; and
- (vii) the Scheme remains in force until 27 June 2012.

**SHARE OPTION SCHEMES** (continued)

No share option has so far been granted under the Scheme since its adoption.

Details of the share options of the Company granted to the directors of the Company and the continuous contract employees of the Group, pursuant to the Company's expired/terminated share option schemes adopted on 2 May 1991 (the "1991 Scheme") and 13 June 2001 (the "2001 Scheme") respectively, that remained unexercised as at 1 January 2004 and 31 December 2004 are as follows:

Name	Date of grant	Vesting/ Exercise period	Exercise price per share HK\$	Number of shares under options			Balance at 31 December 2004
				Balance at 1 January 2004	Exercised during the year	Lapsed during the year	
<b>1991 Scheme</b>							
<b>Directors</b>							
Tsui Ho Chuen, Philip	26 April 2001	26 April 2001 to 25 April 2006	0.2152	4,000,000	—	—	4,000,000
Tsui Yam Tong, Terry	26 April 2001	26 April 2001 to 25 April 2006	0.2152	4,000,000	—	—	4,000,000
<b>2001 Scheme</b>							
<b>Directors</b>							
Tsui Tsin Tong	27 September 2001	27 September 2001 to 26 September 2006	0.1576	38,000,000	—	—	38,000,000
Lam Ting Ball, Paul	27 September 2001	27 September 2001 to 26 September 2006	0.1576	10,000,000	—	—	10,000,000
Tsui Ho Chuen, Philip	27 September 2001	27 September 2001 to 26 September 2006	0.1576	33,500,000	—	—	33,500,000
Tsui Yam Tong, Terry	27 September 2001	27 September 2001 to 26 September 2006	0.1576	33,500,000	—	—	33,500,000 (note 1)
Wu Tat Po	27 September 2001	27 September 2001 to 26 September 2006	0.1576	21,000,000	10,000,000 (note 2)	11,000,000 (note 3)	—

SHARE OPTION SCHEMES (continued)

Name	Date of grant	Vesting/ Exercise period	Exercise price per share HK\$	Number of shares under options			Balance at 31 December 2004
				Balance at 1 January 2004	Exercised during the year	Lapsed during the year	
Continuous contract employees (other than the directors of the Company and their associates)	27 September 2001	27 September 2001 to 26 September 2006	0.1576	13,680,000	6,864,000 (note 4)	50,000	6,766,000

Notes:

- (1) Ms. Ng Shou Ping, Lucilla, the wife of Mr. Tsui Yam Tong, Terry, was granted an option to subscribe for 750,000 shares at an exercise price of HK\$0.1576 per share on 27 September 2001. Such option is exercisable and valid between 27 September 2001 to 26 September 2006, which remained unexercised at 31 December 2004.
- (2) The weighted average closing price of the share immediately before the date on which the option was exercised was HK\$0.158.
- (3) Mr. Wu Tat Po resigned on 1 October 2004.
- (4) The weighted average closing price of the share immediately before the dates on which the options were exercised was HK\$0.273.

**INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO**

As at 31 December 2004, the register maintained by the Company under Section 336 of the SFO showed that the following persons (other than the directors of the Company) had interests and short positions in the shares and underlying shares of the Company:

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/physically settled equity derivatives)	Percentage of issued share capital
<b>10% or more of issued share capital</b>					
Rapid Growth Ltd.	1	Trustee	337,473,906	—	22.01%
	1	Trustee	—	98,000,000	6.39%
Wang Wing Mu, Amy	2	Interest of spouse	343,473,906	—	22.41%
	2	Interest of spouse	—	136,000,000	8.87%
Ng Shou Ping, Lucilla	3	Interest of spouse	338,597,906	—	22.09%
	3	Beneficial owner & interest of spouse	—	136,250,000	8.89%
Ho Mei Po, Mabel	4	Interest of spouse	337,473,906	—	22.01%
	4	Interest of spouse	—	135,500,000	8.84%
West Avenue Group Company Limited	5	Beneficial owner	198,000,000	—	12.92%
Tsai Wu Chang	5	Interest of controlled corporation	198,000,000	—	12.92%
Chinaculture.com Limited	6	Beneficial owner	187,000,000	—	12.20%
Chuang's China Investments Limited	6	Interest of controlled corporation	187,000,000	—	12.20%
Profit Stability Investments Limited	6	Interest of controlled corporations	187,000,000	—	12.20%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/physically settled equity derivatives)	Percentage of issued share capital
Chuang's Consortium International Limited	6	Interest of controlled corporations	187,000,000	—	12.20%
<b>Below 10% of issued share capital</b>					
Broadsino Investment Company Limited	7	Beneficial owner	98,000,000	—	6.39%
Golden Case Limited	8	Security interest in shares	80,000,000	—	5.22%
Cheung Kong Investment Company Limited	8	Interest of controlled corporation	80,000,000	—	5.22%
Cheung Kong (Holdings) Limited	8	Interest of controlled corporations	80,000,000	—	5.22%
Li Ka-Shing Unity Trustee Company Limited	8	Trustee	80,000,000	—	5.22%
Li Ka-Shing Unity Trustee Corporation Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.22%
Li Ka-Shing Unity Trustcorp Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.22%
Li Ka-Shing	8	Interest of controlled corporations & founder of discretionary trusts	80,000,000	—	5.22%

**INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)**

Notes:

- (1) The 337,473,906 shares were held by RGL as trustee of a discretionary trust. The interest in 98,000,000 underlying shares was in respect of an option granted by RGL to Broadsino to sell to RGL all or part of such shares owned by Broadsino exercisable at any time during the term of the option. These interests are duplicated in the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above.
- (2) Ms. Wang Wing Mu, Amy is the wife of Mr. Tsui Tsin Tong and was taken to be interested in 343,473,906 shares and 136,000,000 underlying shares under equity derivatives in which her spouse was interested under the SFO.
- (3) Ms. Ng Shou Ping, Lucilla is the wife of Mr. Tsui Yam Tong, Terry and was taken to be interested in 338,597,906 shares and 135,500,000 underlying shares under equity derivatives in which her spouse was interested under the SFO. She also has a personal interest in an option granted under the Company's share option scheme to subscribe for 750,000 shares of the Company.
- (4) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 337,473,906 shares and 135,500,000 underlying shares under equity derivatives in which her spouse was interested under the SFO.
- (5) The 198,000,000 shares were beneficially owned by West Avenue Group Company Limited ("West Avenue"). Mr. Tsai Wu Chang was deemed to be interested in these shares under the SFO by virtue of his interest in the entire equity of West Avenue.
- (6) The references to the 187,000,000 shares relate to the same block of 187,000,000 shares beneficially interested by Chinaculture.com Limited ("Chinaculture").

Chinaculture was a wholly-owned subsidiary of Chuang's China Investments Limited ("Chuang's China"), which in turn was a 60% owned subsidiary of Profit Stability Investments Limited ("Profit Stability"). Chuang's Consortium International Limited ("Chuang's Consortium") held 100% equity interest in Profit Stability.

Chuang's China, Profit Stability and Chuang's Consortium were all deemed under the SFO to be interested in these 187,000,000 shares which were owned by Chinaculture.

- (7) These shares were beneficially owned by Broadsino. Pursuant to an option granted by RGL, Broadsino has a right to sell all or part of these shares to RGL exercisable at any time during the term of the option. This interest is detailed and duplicated with the interests of RGL as shown in note (1) above.
- (8) The references to the 80,000,000 shares relate to the same block of 80,000,000 shares interested by Golden Case Limited ("Golden Case") by virtue of a security interest in these shares charged by RGL.

Golden Case was a wholly-owned subsidiary of Cheung Kong Investment Company Limited ("CKI"), which in turn was a wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("CKH").

Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") both held units in The Li Ka-Shing Unity Trust.

Mr. Li Ka-Shing is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of them for the purpose of the SFO. The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the issued share capital.

CKI, CKH, TUT1, TDT1, TDT2 and Mr. Li Ka-Shing were all deemed to be interested in these 80,000,000 shares which were taken to be interested in by Golden Case under the SFO.

**INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)**

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 31 December 2004 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

**DISCLOSURE UNDER LISTING RULES 13.20 AND 13.22**

**(1) Advance to an entity**

Loan advanced by the Group to an entity as at 31 December 2004 required to be disclosed under Rule 13.20 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange is as follows:

Entity	Percentage of equity held by the Group	Advance HK\$'000
Liaoyang Beiyang Real estate Development Company Limited	50%	38,133

The advance was used to finance a property development project in Shanghai. The advance is unsecured, interest free and has no fixed terms of repayment.

**(2) Financial assistance and guarantees given to the affiliated companies**

The proforma combined balance sheet of and the Group's attributable interest in the affiliated companies based on their latest financial statements available required to be disclosed under Rule 13.22 of the Listing Rules are as follows:

	Proforma combined balance sheet HK\$'000	The Group's attributable interest HK\$'000
Non-current assets	542,304	78,399
Current assets	356,920	53,540
Current liabilities	(495,267)	(84,382)
Non-current liabilities	(153,107)	(20,509)
Net assets	250,850	27,048

**CORPORATE GOVERNANCE**

The Company complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules which was in force prior to 1 January 2005, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms. The independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

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.

**SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended 31 December 2004.

**AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board of  
**CNT GROUP LIMITED**

**Lam Ting Ball, Paul**

*Chairman*

20 April 2005