



REPORT OF THE DIRECTORS

The Directors present herewith their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2004.

FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated profit and loss account on page 25.

The Directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company and the principal activities of the Group are property investment and development, estate management and investment holding.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 70.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 20 to the financial statements.

PRINCIPAL PROPERTIES

Details of the Group's major properties are set out on pages 67 to 69.

SUBSIDIARIES

The particulars of the Group's principal subsidiaries as at 31st December, 2004 are set out on page 65.

ASSOCIATED COMPANIES

The particulars of the Group's principal associated companies as at 31st December, 2004 are set out on page 66.



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JOINTLY CONTROLLED ENTITY

The particulars of the Group's jointly controlled entity as at 31st December, 2004 are set out on page 66.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 11 to the financial statements.

BANK LOANS AND OVERDRAFTS

Details of the bank loans and overdrafts of the Group as at 31st December, 2004 are set out in note 22 to the financial statements.

DIRECTORS

The Directors during the year were:

Mr DAI Xiaoming
Mr Kenneth Hiu King KON
Mr Jesse Nai Chau LEUNG*
Mr XIANG Bing*
Mr Edward SHEN*

* *Independent Non-executive Directors*

Mr Jesse Nai Chau Leung has been redesignated from Non-executive Director to Independent Non-executive Director with effect from 20th September, 2004.

In accordance with Article 102 of the Company's Articles of Association, Mr. Kenneth Hiu King Kon and Mr. Xiang Bing will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are 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 normal statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 12 to 13.



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CONNECTED TRANSACTIONS

The Group has entered into the following connected and continuing connected transactions, which are disclosed in accordance with Chapter 14A of the Listing Rules:

- (a) On 23rd November, 2002, Turbo Dragon Limited, a wholly-owned subsidiary, granted a loan to Beijing Lucky Building Company Limited ("Beijing Lucky"), a 61.1% owned subsidiary, for the purpose of financing Beijing Lucky's working capital. The loan is unsecured, interest bearing at a rate of 6.5% per annum and repayable on demand. The balance of the unpaid loan of HK\$5,280,000 and interest thereon was repaid by Beijing Lucky on 13th August, 2004.
- (b) On 21st November, 2000, Dan Yao entered into respective agreements (the "Agency Agreements") with Mr. Zhao Sheng Li and Mr. Hua Ming, being two connected persons of the Company, to act as their property management agent of the properties owned by them for a period from 1st July, 2001 to 30th June, 2009. Under the Agency Agreements, Dan Yao is entitled to all the net income arising from leasing the properties and in return, Dan Yao has undertaken the repayments of mortgage loans amounting to RMB5,090,000 (HK\$4,797,000) and the interest accrued thereon and provided corporate guarantees to the bank on the mortgage loans. On 5th and 14th January, 2004, each of Mr. Hua Ming and Mr. Zhao Sheng Li entered into two termination agreements with Dan Yao respectively for the termination of the Agency Agreements and the property pre-sale agreements. The balance of the mortgage loans amounting to RMB3,050,000 (HK\$2,877,000) was repaid to the bank on 31st August, 2004 by Dan Yao and the properties were returned from Mr. Hua Ming and Mr. Zhao Sheng Li to Dan Yao on the termination of the two property pre-sale agreements.
- (c) Enfort Company Limited ("Enfort"), a wholly-owned subsidiary, granted loans to Beijing Dan Yao Property Co. Ltd. ("Dan Yao"), an 85% owned subsidiary, for the purpose of financing Dan Yao's working capital. The loans were assigned by Enfort to Dan Form Holdings Company Limited on 30th April, 2003. The loans are unsecured, interest bearing at 6% per annum and repayable on demand. As at 31st December, 2004, the balance of the unpaid loan was HK\$51,455,000 (2003: HK\$60,900,000).

The independent non-executive directors of the Company have reviewed the continuing connected transaction relating to item (c) as stated above pursuant to rule 14A.37 of the Listing Rules and confirmed that the transaction has been entered into :

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (Cont'd)

The auditors of the Company have reviewed this continuing connected transaction pursuant to rule 14A.38 of the Listing Rules and advised the board of directors in writing with a copy provided to the Stock Exchange that :

- (1) the transaction has received the approval of the board of directors of the Company; and
- (2) the transaction has been entered into in accordance with the relevant agreements governing the transaction.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or controlling shareholder had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31st December, 2004, the interests and short positions of the each Director, Chief Executive and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be 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 Listed Issuers (the "Model Code") are as follows:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Ordinary shares of the Company at HK\$0.5 each

Name of Director	Number of ordinary shares beneficially held				Total Interest
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
DAI Xiaoming (Note)	23,000,000	—	388,720,881	—	411,720,881



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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Cont'd)

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations (Cont'd)

Note: Being the ultimate beneficial owner of shares representing 95% of the issued share capital of Dan Form International Limited ("DFIL"), the ultimate holding company of Fabulous Investments Limited ("Fabulous"), Mr. Dai Xiaoming ("Mr. Dai") is deemed to be interested in the 2,660,000 and 386,060,881 ordinary shares in the Company beneficially held by DFIL and Fabulous respectively.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

At no time during the year was the Company, its subsidiaries, its associated companies its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Chief Executive, Directors or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.



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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

1. Aggregate long position in the shares and underlying shares of the Company

As at 31st December, 2004, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being holders of 5% or more of the Company's issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Number of ordinary shares held	Percentage of the issued share capital of the Company
DAI Xiaoming	(1)	411,720,881	36.26
Harlesden Limited	(2)	388,720,881	34.23
DFIL	(2)	388,720,881	34.23
Value Plus Holdings Limited	(2)	386,060,881	34.00
Fathom Limited	(2)	386,060,881	34.00
Fabulous	(2)	386,060,881	34.00
Nina KUNG	(3)	261,808,697	23.05
Greenwood International Limited	(3)	245,094,197	21.58
China National Foreign Trade Transportation (Group) Corporation	(4)	94,836,971	8.35
Focus-Asia Holdings Limited	(4)	94,836,971	8.35

Notes:

- (1) Mr. Dai was beneficially interested in a total of 411,720,881 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Directors' and Chief Executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above.
- (2) By virtue of SFO, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 386,060,881 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,660,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.
- (3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.58% of the issued share capital of the Company. Ms. Nina Kung (Mrs. Nina T.H. Wang) was beneficially interested in a total of 261,808,697 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.05% of the issued share capital of the Company.
- (4) Focus-Asia Holdings Limited ("Focus-Asia") was beneficially interested in a total of 94,836,971 ordinary shares in the Company. China National Foreign Trade Transportation (Group) Corporation, being a holding company of Focus-Asia, is deemed to be interested in the 94,836,971 ordinary shares in the Company beneficially held by Focus-Asia.



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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Cont'd)

2. Aggregate short position in the shares and underlying shares of the Company

As at 31st December, 2004, the Company had not been notified of any short position being held by any substantial shareholders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 31st December, 2004, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

ADVANCES TO ENTITIES

In accordance with Rule 13.20 of the Listing Rules, the Directors of the Company reported on details of advances made by the Group for the benefit of the following entities as at 31st December, 2004, which for each of the following entities exceeded 8% of market capitalization of the Company and which for Zeta exceeded 8% of the total assets of the Group as at 31st December, 2004 as follows:

Name of entity	Date of advance	Percentage of equity held by the Group	Remaining balance of the advance HK\$'000	Notes
Zeta Estates Limited ("Zeta")	1/7/1998	33 $\frac{1}{3}$ %	276,683	1
Beijing Jing Yuan Property Development Co., Ltd. ("BJYPD")	1/12/1998	29.4%	106,543	2

Notes:

- (1) The advance is unsecured, interest-free as from 1st January, 2004 but interest bearing ranging from prime rate less 3% to prime rate per annum prior to 1st January, 2004 and has no fixed terms of repayment. Repayment of the advance has been made by Zeta on monthly basis as from 1st January, 2004.
- (2) BJYPD is engaged in property development business in Beijing. The advance was made to BJYPD to finance its property development project in which the Group has 29.4% interest. The advance is unsecured, interest-free and has no fixed terms of repayment. The advance will be repaid by BJYPD upon the sale of relevant properties now under development. The completion of sale of properties is expected to take place in 2010.



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PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

Proforma combined balance sheet of the affiliated companies of the Group mentioned above and the interest attributable to the Group as at 31st December, 2004 (the latest practicable date) are as follows:

Description	Combined Total HK\$'000	Interest attributable to the Group HK\$'000
Investment properties	3,169,795	1,056,598
Properties held under development for sale	447,174	131,469
Fixed assets	4,673	1,375
Long term receivables	88,427	26,021
Current assets	1,355,101	399,994
Current liabilities	(977,468)	(321,511)
Long-term liabilities	(1,701,243)	(500,165)
Shareholders' funds	<u>2,386,459</u>	<u>793,781</u>

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the largest and the five largest customers accounted for 12% and 38% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for 36% and 61% respectively of the total purchases of the Group for the year.

None of the Directors, their associates or those shareholders who, to the knowledge of the Directors, own more than 5% of the Company's share capital, had interest in any of the five largest customers or suppliers.



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AUDIT COMMITTEE

The Company established an Audit Committee on 15th September, 1998. The terms of reference of the Audit Committee have been established with reference to "A Guide for the Effective Audit Committees" issued by Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in February, 2002. In order to comply with the Rules Governing the Listing Securities (the "Listing Rules") on the Stock Exchange, the number of Audit Committee member has increased from two to three, which comprises of three independent non-executive Directors. Mr Jesse Nai Chau Leung has been re-designated from non-executive director to independent non-executive director of the Company with effect from 20th September, 2004 and Mr Xiang Bing and Mr Edward Shen are still independent non-executive directors. During the year, the Audit Committee held two meetings on 15th April, 2004 and 14th September, 2004 and have discussed the financial reporting matters with management, including the review of the Group's financial reporting process, the adequacy and effectiveness of the Group's systems of internal control, and the interim and annual financial statements of the Group.

The Group's annual results for the year ended 31st December, 2004 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

In the opinion of the Directors, except that the non-executive Directors were not appointed for a specific term (but are subject to retirement by rotation and re-election at annual general meetings in accordance with Article 102 of the Articles of Association of the Company), the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the year ended 31st December, 2004.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Director's securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code during the year ended 31st December, 2004 and all Directors confirmed that they have complied with the Model Code.

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 independent non-executive directors are independent.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

DAI XIAOMING
Chairman

Hong Kong, 19th April, 2005