

Report of the Directors

The directors hereby present their report together with the audited accounts for the year ended 31st December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are shown in note 12 to the accounts.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2004 are set out on page 18.

The Directors have resolved that no final dividend be declared for the year ended 31st December 2004 (2003: 4 cents per share totalling HK\$18,377,146).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, net assets, capital and reserves of the Group for the last five financial years is set out on page 3.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets are shown in note 11 to the accounts.

PRINCIPAL PROPERTY INTERESTS HELD

Details of the Group's principal property interests held for investment purpose are set out on page 74.

SHARE CAPITAL

Details of the share capital of the Company are shown in note 24 to the accounts.

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DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2004, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$6,840,857 (2003: HK\$19,237,510).

DIRECTORS

The names of the directors serving during the year and at the date of this report are set out on page 2.

In accordance with articles 94 and 95 of the Company's Articles of Association, Messrs Ding Shi Da and Yang Sheng Ming retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 85 of the Company's Articles of Association, Messrs So Hop Shing and Weng Jian Yu, who were appointed as directors of the Company on 30th September 2004 and 18th November 2004 respectively, shall hold office until the forthcoming annual general meeting of the Company following their appointments and, being eligible, offer themselves for re-election.

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.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers all the independent non-executive directors are independent.

DIRECTORS' INTERESTS

No contracts of significance in relation to the Company's business to which the Company or 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.

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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DIRECTORS' INTERESTS (Continued)

At 31st December 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO")) 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long Position in Ordinary Shares of the Company

Name of Director	Nature of interests	Number of shares held	Approximate percentage of shareholding
Ip Kai Ming	Personal interest	666,000	0.14%

Save as disclosed above, as at 31st December 2004, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) 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; and 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.

SUBSTANTIAL SHAREHOLDERS

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31st December 2004, the following corporations had interests (as defined in the SFO) in the Company:

Name of Corporation	Notes	Number of shares held	Approximate percentage of shareholding
Samba Limited ("Samba")		144,885,000	31.54%
Papilio Inc.	1	169,125,000	36.81%
Vigour Fine Company Limited ("Vigour Fine")	1	192,764,600	41.96%
Fujian International Trust & Investment Corporation ("FITIC")	2	192,764,600	41.96%

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SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. Papilio Inc. and Vigour Fine both were the substantial shareholders of Samba and were deemed to be interested in Samba's shareholding in the Company of 144,885,000 shares.
2. FITIC was deemed to be interested in Vigour Fine's interest of 192,764,600 shares in the Company by virtue of its controlling interests in Vigour Fine.

All the interests stated above represent long positions in the ordinary shares of the Company. As at 31st December 2004, no short positions were recorded in the register maintained by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF 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.

MANAGEMENT CONTRACTS

During the year, the Company renewed the annual management agreement with Vigour Fine, a substantial shareholder of the Company, whereby Vigour Fine provides management services to the Company which include the provision of directors to the board of directors of the Company. A management fee of HK\$1,880,000 has been paid to Vigour Fine during the year.

Messrs Ding Shi Da, Yang Sheng Ming, Zhu Xue Lun, Weng Jian Yu and Shang Jian Guang have interest in the above transaction as directors of Vigour Fine.

Except for the above, no other 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details in respect of the Company's directors and senior management are set out on pages 8 to 10.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its products and services from its 5 largest suppliers and sold less than 30% of its products and services to its 5 largest customers.

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CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31st December 2004, which are not required to be disclosed under the Listing Rules as connected transactions, are disclosed in notes 13, 14, 20(a) and 30(a) to the accounts.

Other related party transactions, which also constitute connected transactions under the Listing Rules, are disclosed in notes 27(c), 30(b) and 31 to the accounts.

AUDIT COMMITTEE

The Company has an audit committee comprising three independent non-executive directors, namely Messrs Robert Tsai To Sze, Ip Kai Ming and So Hop Shing, with written terms of reference. The primary duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31st December 2004.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as of the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practices as set out in Appendix 14 of the Listing Rules in force during 2004 except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's Articles of Association.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made to all directors of the Company who confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

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POST BALANCE SHEET DATE EVENTS

Details of the post balance sheet date events are disclosed in note 31 to the accounts.

AUDITORS

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

On behalf of the Board

DING SHI DA

Chairman

HONG KONG, 26th April 2005