



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

### ■ PRINCIPAL ACTIVITIES ■

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### ■ RESULTS ■

The Group's loss for the year ended 31 December 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 18 to 69.

### ■ SUMMARY FINANCIAL INFORMATION ■

A summary of the published results and the 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, is set out on pages 71 to 72. This summary does not form part of the audited financial statements.

### ■ FIXED ASSETS AND INVESTMENT PROPERTIES ■

Details of movements in the fixed assets and investment properties of the Company and of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 70.

### ■ 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 31 and 32 to the financial statements, respectively. Details of the Company's share option scheme are set out in note 32 to the financial statements.

On 1 September 2001, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") amended the requirements for share option schemes under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). If the Company wishes to grant options under its share option scheme, it will also comply with the requirements under the Listing Rules.

### ■ PRE-EMPTIVE RIGHTS ■

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### ■ PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY ■

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

### ■ RESERVES ■

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the financial statements.



## ■ DISTRIBUTABLE RESERVES ■

At 31 December 2004, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus in the amount of HK\$178,927,000 is currently not available for distribution. The Company's share premium account, in the amount of HK\$42,424,000 as at 31 December 2004, may be distributed in the form of fully paid bonus shares.

## ■ MAJOR CUSTOMERS AND SUPPLIERS ■

In the year under review, sales to the Group's five largest customers accounted for approximately 56.6% of the total turnover for the year and sales to the largest customer included therein amounted to approximately 21.0%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

## ■ DIRECTORS ■

The directors of the Company during the year were:

### Executive directors:

Mr. Zhou Chu Jian He (*Chairman and Managing Director*)

Mr. Yiu Yu Keung, George (*Deputy Chairman*)

Mr. Li Jong Tong, Timothy

Mr. Zhang Xiao Bing, Adam

(appointed on 26 February 2004)

### Non-executive directors:

Mr. Leung Man Kit\*

Mr. Chan Kwok Wai\*

Mr. Lam Man Sum, Albert\*

Ms. An Li Yan

(appointed on 24 September 2004)

(appointed on 8 July 2004 and  
resigned on 24 August 2004)

\* *Independent non-executive directors*

Subsequent to the balance sheet date, on 1 March 2005, Mr. Zhou Chu Jian He resigned as the Managing Director of the Company, but remains as the Chairman.

In accordance with the Company's bye-laws 86(2), 87(1) and (2), Mr. Leung Man Kit, Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The other directors will remain in office for the ensuing year.



### ■ BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT ■

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

### ■ DIRECTORS' SERVICE CONTRACTS ■

Each of Mr. Zhou Chu Jian He, Mr. Yiu Yu Keung, George and Mr. Li Jong Tong, Timothy has a service contract with the Company for a term of two years which commenced on 2 October 2003 and is subject to termination in accordance with the terms and conditions specified in the contracts.

Each of Mr. Zhang Xiao Bing, Adam and Mr. Lam Man Sum, Albert has entered into a service contract with the Company for a term of two years which commenced on 26 February 2004 and 24 September 2004, respectively, and is subject to termination in accordance with the terms and conditions specified in the contracts.

Each of Mr. Leung Man Kit and Mr. Chan Kwok Wai has renewed the service contract with the Company for a term of two years which commenced on 31 December 2004 and is subject to termination in accordance with the terms and conditions specified in the contracts.

Under the service contracts, the Company may at any time by summary notice in writing terminate the appointment if the appointee commits any breach of any of his material obligations and/or undertakings, commits an act of bankruptcy or commits any act which would permit the Company to terminate the appointment thereunder. On the other hand, the appointee is entitled to terminate the appointment at any time by giving the Company at least three months' notice in writing.

Apart from the foregoing, 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.

### ■ DIRECTORS' INTERESTS IN CONTRACTS ■

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies and subsidiaries was a party during the year.



**■ DIRECTOR’S INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES ■**

At 31 December 2004, the interest of a director in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be 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 for Securities Transactions by Directors of Listed Issuers, was as follows:

Long position in ordinary shares of the Company:

Name of director	Number of shares held through a controlled corporation	Percentage of the Company’s issued share capital
Mr. Zhou Chu Jian He (note)	<u>215,416,500</u>	<u>51.05</u>

Note: The 215,416,500 shares are held by Prime Century Investments Limited, a wholly-owned subsidiary of Junefield (Holdings) Limited, which is in turn beneficially owned by Mr. Zhou Chu Jian He.

The interests of the directors in the share options of the Company are separately disclosed in note 32 to the financial statements.

Save as disclosed above, as at 31 December 2004, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

**■ DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES ■**

Save as disclosed in the share option scheme disclosures in note 32 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies and subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



### ■ SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES ■

At 31 December 2004, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Note	Capacity and nature of interest	Number of ordinary shares	Percentage of the Company's issued share capital	Number of share options held
Prime Century Investments Limited	(1)	Directly beneficially owned	215,416,500	51.05	–
Junefield (Holdings) Limited	(1)	Through a controlled corporation	215,416,500	51.05	–
Mr. Zhou Chu Jian He	(1)	Through a controlled corporation	215,416,500	51.05	–
Mr. Zhou Chu Jian He		Directly beneficially owned	–	–	4,218,000
Liu Xiao Fang		Directly beneficially owned	38,236,000	9.06	–
Yuan Ling		Directly beneficially owned	25,490,000	6.04	–

Note:

- (1) The 215,416,500 shares are held by Prime Century Investments Limited, a wholly-owned subsidiary of Junefield (Holdings) Limited, which is in turn beneficially owned by Mr. Zhou Chu Jian He.

Save as disclosed above, as at 31 December 2004, no person, other than the directors of the Company, whose interests are set out in the section "Director's interest and short position in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### ■ POST BALANCE SHEET EVENTS ■

Details of the significant post balance sheet events of the Group are set out in note 40 to the financial statements.

### ■ CODE OF BEST PRACTICE ■

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005, throughout the accounting period covered by the annual report.

### ■ AUDIT COMMITTEE ■

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company, namely Mr. Leung Man Kit, Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert.



■ 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

Zhou Chu Jian He  
*Chairman*

Hong Kong  
28 April 2005