

REPORT OF THE DIRECTORS

The directors ("Directors") of the Company submit their report together with the audited accounts of Hualing Holdings Limited (the "Company") and its subsidiaries (herein after collectively referred to as the "Group") for the year ended 31st December 2004 ("the year under review").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 13 to the accounts.

An analysis of the Group's performance for the year under review by business and geographical segments is set out in Note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year under review are set out in the consolidated profit and loss account on page 37.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in reserves of the Group and of the Company during the year under review are set out in Note 24 to the accounts.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set out in Note 12 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes during the year under review are set out in Note 12 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set out in Note 23(a) to the accounts.

董事會報告

本公司董事會(「董事會」)同寅謹將華凌集團有限公司(「本公司」)及其附屬公司(以下統稱「本集團」)截至二零零四年十二月三十一日止年度(「回顧年度」)之報告連同經審核之賬目呈覽。

主要業務及營運地區之分析

本公司之主要業務為投資控股，而附屬公司之主要業務則詳載於賬目附註13。

本年度按業務及地區分類之本集團業績表現分析載於賬目附註3。

業績及分派

本集團本年度之業績載於第37頁之綜合損益表內。

董事會不建議派發股息。

儲備

本集團及本公司於回顧年度之儲備變動載於賬目附註24。

物業、廠房及設備

本集團於回顧年度之物業、廠房及設備變動詳情載於賬目附註12。

主要物業

用作投資而持有之主要物業於回顧年度之詳情載於賬目附註12。

股本

本公司之股本於回顧年度之變動詳情載於賬目附註23(a)。

REPORT OF THE DIRECTORS

董事會報告

DISTRIBUTABLE RESERVES

As at 31st December 2004, the Company had no reserves available for distribution to its shareholders (2003: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 101.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 under review.

SHARE OPTIONS

Due to the expiration of share option scheme adopted by the Company on 26th November 1993 ("1993 Share Option Scheme"), and to be in line with Chapter 17 (Share Option Schemes) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Company terminated 1993 Share Option Scheme and adopted a new share option scheme on 27th June 2003 as approved by the shareholders at the annual general meeting. Details of share options are set out in Note 23(b) to the accounts.

The share options granted are not recognised in the accounts until they are exercised. The directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any revaluation of the share options based on the speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders. Thus, it is more appropriate to disclose only the market price and exercise price in Note 23(b) to the accounts.

可供分派之儲備

於二零零四年十二月三十一日，本公司並無可供分派予股東之儲備(二零零三年：無)。

五年財務摘要

本集團上五個財政年度之業績及資產及負債摘要載於第101頁。

購買、出售或贖回證券

本公司於年內並無贖回本身之股份。本公司或其任何附屬公司於回顧年度內亦無購買或出售任何本公司之股份。

購股權

由於本公司於一九九三年十一月二十六日採納之購股權計劃(「一九九三年購股權計劃」)屆滿以及為符合香港聯合交易所有限公司證券上市規則(「上市規則」)第十七章(購股權計劃)之規定，本公司終止一九九三年購股權計劃並於二零零三年六月二十七日開始採納已由股東於股東特別大會上批准的新購股權計劃。購股權之詳情載於賬目附註23(b)。

若授出的購股權未被行使則不於本賬目確認。董事認為，當某些評估購股權價值所需之要素為變量，而該等變量於當前狀況下無法合理確定時，評估購股權之價值是不適當的。任何在對上述變量作臆測之基礎所作之購股權價值重估是無意義的，其結果或會對股東形成誤導。因此，僅於本賬目附註23(b)披露市場價格和行使價格更為適當。

REPORT OF THE DIRECTORS

董事會報告

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Fang Hongbo (Chairman) (appointed on 17th November 2004)

Zhang Quan (appointed on 17th November 2004)

Liu Liang (appointed on 17th November 2004)

Li Yu Jun (Chairman) (resigned on 22nd December 2004)

Chen Xiao Shi (resigned on 16th March 2005)

Liang Wei Wen (resigned on 16th March 2005)

Huang Wei Hua (resigned on 22nd December 2004)

Li Jianwei* (appointed on 17th November 2004)

Yuan Liquan* (appointed on 17th November 2004)

Zhang Xin Hua*

Chen Yu Hang*

Lo Wing Sang, Vincent** (resigned on 22nd December 2004)

Chan Wai Dune**

Lam Ming Yung**

Chen Chunhua** (appointed on 22nd December 2004)

* Non-executive Directors

** Independent non-executive Directors

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

董事

本年度內在任之董事如下：

方洪波(董事長)(於二零零四年十一月十七日委任)

張權(於二零零四年十一月十七日委任)

劉亮(於二零零四年十一月十七日委任)

李宇君(董事長)(於二零零四年十二月二十二日辭任)

陳小石(於二零零五年三月十六日辭任)

梁偉文(於二零零五年三月十六日辭任)

黃偉華(於二零零四年十二月二十二日辭任)

栗建偉*(於二零零四年十一月十七日委任)

袁利群*(於二零零四年十一月十七日委任)

張新華*

陳宇航*

羅榮生**(於二零零四年十二月二十二日辭任)

陳維端**

林明勇**

陳春花**(於二零零四年十二月二十二日委任)

* 非執行董事

** 獨立非執行董事

董事服務合約

概無董事與本公司或其任何附屬公司訂有本公司不可於一年內免付補償(法定補償除外)而終止之服務合約。

REPORT OF THE DIRECTORS

董事會報告

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has received from each of its current independent non-executive Directors an annual confirmation of his/her independence and the Company considers that each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

Details of the emoluments of the Directors during the year under review are set out in Note 10 to the accounts.

Details of the five highest paid individuals during the year under review are set out in Note 10 to the accounts.

PENSION SCHEMES

Details of the pension schemes operated by the Group are set out in Note 22 to the accounts.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 19 to 21.

獨立非執行董事之獨立性

根據《上市規則》第3.13條，本公司已獲得各現任獨立非執行董事就其獨立性而作出的年度確認函，本公司認為他們均屬獨立人士。

董事及首五名最高薪酬董事／僱員之年度薪酬

本年度之董事薪酬詳情載於賬目附註10。

本年度首五名最高薪酬僱員之薪酬詳情載於賬目附註10。

退休金計劃

本集團營辦之退休金計劃之詳情載於賬目附註22。

董事之合約權益

本年度或年結時，本公司、各同系附屬公司或控股公司概無簽訂任何涉及本集團之業務而本公司之董事直接或間接在其中擁有重大權益之重要合約。

董事及高級管理人員之個人簡歷

董事及高級管理人員之個人簡歷載於第19至21頁。

REPORT OF THE DIRECTORS

董事會報告

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December 2004, the interests and short positions of each director and chief executive in office as at 31st December 2004 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 ("SFO"), Chapter 571 of the laws of Hong Kong), as recorded in the register maintained by the Company under Section 352 of the SFO or which have to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

董事及高級行政人員於股 本證券或債務證券之權益

於二零零四年十二月三十一日，於二零零四年十二月三十一日在任之董事及高級行政人員於本公司或其相聯法團(定義見香港法例第571章證券及期貨條例(「證券及期貨條例」))之證券中，擁有根據證券及期貨條例第352條須登記於該條所述登記冊之權益或淡倉或根據證券及期貨條例第XV部第7及8分部須知會本公司及香港聯合交易所有限公司之權益或淡倉(包括根據證券及期貨條例彼等被當作或視為擁有之權益或淡倉)；或根據上市發行人之董事進行證券交易的標準守則須知會本公司及聯交所之權益或淡倉如下：

		Number of shares held 持有股份數目						
		Personal interests 個人權益	Family interests 家屬權益	Corporate interests 法團權益	Other interests 其他權益	Total 合計	Percentage 百分比	
Chan Wai Dune 陳維端	Long positions 權益	1,000,000	–	–	–	1,000,000	0.06%	
		Options 購股權						
		As at 1st January 2004 於二零零四年 一月一日		Exercised 行使	As at 31st December 2004 於二零零四年 十二月三十一日		Percentage 百分比	
Zhang Xin Hua 張新華	Long positions 權益	800,000		–	800,000		0.05%	
Chan Wai Dune 陳維端	Long positions 權益	3,000,000		3,000,000	–		–	

REPORT OF THE DIRECTORS

董事會報告

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN EQUITY OR DEBT SECURITIES (Continued)

Share options are granted to directors under the 1993 Share Option Scheme. Details of Share Options schemes are disclosed in Note 23(b) to the accounts.

Other than those interests disclosed above, as at 31 December 2004, no Directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the SFO).

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

Other than these interests disclosed above, at no time during the year under review was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding company, a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares in, or debentures of, the Company or its associated corporations.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

Mr Fang Hongbo, an executive Director, is a director of GD Midea and certain subsidiaries of GD Midea and Midea Group. GD Midea and its subsidiaries ("Midea Electric Group") are principally engaged in the manufacture and sale of air conditioners, electric fans, rice cookers and microwave ovens and materials and spare parts for the manufacture of the household electrical appliances which may compete with the business of the Group. Midea Group and its subsidiaries (excluding the Group) ("Midea Ltd. Group") is principally engaged in the manufacture and sale of household electrical appliances including refrigerators and washing machines and the materials and spare parts for the manufacture of the household electrical appliances which may also compete with the business of the Group.

董事及高級行政人員於股本 證券或債務證券之權益 (續)

購股權乃根據一九九三年購股權計劃而授予董事。購股權詳情於賬目附註23(b)中披露。

除上文披露之權益外，於二零零四年十二月三十一日，各董事及高級行政人員（包括彼等之配偶及十八歲以下子女）並無擁有、獲授予或行使任何可認購本公司及其相聯法團（按證券條例之定義）之股份之權利。

董事於股本證券或債務證 券之權益

除上文披露之權益外，本回顧年度內任何時間，本公司、其附屬公司、其聯營公司、同系附屬公司或其控股公司概無參與任何安排，致使本公司董事及高級行政人員持有任何本公司或其相聯法團之股份、相關股份或債權證之權益或淡倉。

董事於競爭業務之權益

方洪波先生，執行董事，為廣東美的及廣東美的及美的集團若干附屬公司之董事。廣東美的及其附屬公司（「美的電器集團」）之主要業務為製造及銷售空調、電風扇、電飯煲及微波爐，以及製造家用電器所用物料及零件，而這可能與本集團之業務構成競爭。美的集團及其附屬公司（不包括本集團）（「美的集團成員公司」）之主要業務為製造及銷售家用電器（包括冰箱及洗衣機）及製造家用電器所用物料及零件，這亦可能與本集團之業務構成競爭。

REPORT OF THE DIRECTORS

董事會報告

DIRECTORS' INTEREST IN COMPETING BUSINESSES (Continued)

Mr Li Jianwei, a non-executive Director, is a director of Midea Group and certain subsidiaries of GD Midea and Midea Group and he owns 33% of the registered capital of Foshan Shunde Lixun Investment Co., Group ("Lixun Investment") which in turn owns 45% of the registered capital of Midea Group, the holding company of the controlling shareholder of the Company and Ms Yuan Liqun, a non-executive Director, is also a director of Midea Group and certain subsidiaries of GD Midea and Midea Group and she owns 33% of the registered capital of Lixun Investment. Both Midea Ltd. Group and Midea Electric Group are principally engaged in businesses which may compete with the business of the Group.

Mr Zhang Quan, an executive Director, is a director of certain subsidiaries of GD Midea and Midea Group which may compete with the business of the Group.

Mr Liu Liang, an executive Director, is a director of certain subsidiaries of GD Midea and Midea Group which may compete with the business of the Group.

As at 31 December 2004, save as disclosed above, none of the Directors was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

The Audit Committee of the Company, which consists of three independent non-executive Directors, meets regularly to assist the Board of Directors in reviewing the financial performance and internal control systems of the Group. The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which the directors have declared interests.

董事於競爭業務之權益 (續)

栗建偉先生，非執行董事，為美的集團及廣東美的及美的集團成員公司若干附屬公司之董事。彼於佛山市順德區利迅投資有限公司（「利迅投資」）之註冊資本中擁有33%，而利迅投資則於美的集團（本公司控股股東的控股公司）之註冊股本中擁有45%。袁利群女士，非執行董事，亦為美的集團、廣東美的及美的集團成員公司若干附屬公司之董事。彼於利迅投資之註冊資本中擁有33%。美的集團成員公司及美的電器集團成員公司之主要業務可能與本集團之業務構成競爭。

張權先生，執行董事，為廣東美的及美的集團成員公司若干附屬公司之董事，該等公司可能與本集團之業務構成競爭。

劉亮先生，執行董事，為廣東美的及美的集團成員公司若干附屬公司之董事，該等公司可能與本集團之業務構成競爭。

於二零零四年十二月三十一日，除上文所披露者外，概無董事於本集團業務以外之任何業務中擁有與本集團直接或間接構成或可能構成競爭之權益。

本公司之審核委員會由三位獨立非執行董事組成，並定期會晤以協助董事會審閱本集團之財務表現及內部監控系統。因此，本公司能在公平的基礎上獨立經營董事擁有權益之業務。

REPORT OF THE DIRECTORS

董事會報告

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as the Directors are aware, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st December 2004, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

主要股東權益

根據證券條例第336條而設置之主要股東登記冊顯示，於二零零四年十二月三十一日，本公司已接獲下列持有本公司已發行股本百分之五或以上權益之通知，此等權益並未包括於以上披露之董事之權益內。

Name of shareholder 股東姓名／名稱		Number of shares held 股份數目	Percentage of shareholding 股權概約百分比
Midea International Corporation Company Limited ("Midea International") (Note 1) 美的國際控股有限公司(「美的國際」)(附註1)	Long positions 權益	670,076,808	42.2%
Midea Group (Note 2) 美的集團(附註2)	Long positions 權益	670,076,808	42.2%
Foshan Shunde Tiantuo Investment Co., Ltd. ("Shunde Tiantuo") (Note 3) 佛山市順德區天托投資有限公司(「順德天托」)(附註3)	Long positions 權益	670,076,808	42.2%
Foshan Shunde Lixun Investment Co., Ltd. ("Lixun Investment") (Note 4) 佛山市順德區利迅投資有限公司(「利迅投資」)(附註4)	Long positions 權益	670,076,808	42.2%
Mr. He Xiangjian (Note 5) 何享健先生(附註5)	Long positions 權益	670,076,808	42.2%
Ms. Liang Fengchai (Note 6) 梁鳳釵女士(附註6)	Long positions 權益	670,076,808	42.2%
Mr. Zhang Hechuan (Note 7) 張河川先生(附註7)	Long positions 權益	670,076,808	42.2%
Ms. Zhao Hongying (Note 8) 趙紅英女士(附註8)	Long positions 權益	670,076,808	42.2%
Guangzhou Baiyun Agriculture Industry & Commerce Corporation 廣州國營白雲農工商聯合公司	Long positions 權益	162,960,000	10.3%

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董事會報告

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

Notes:

1. These 670,076,808 Shares were registered in the name of and beneficially owned by Midea International.
2. Midea Ltd. was deemed to be interested in the 670,076,808 Shares which Midea International was interested in by virtue of its holding 99.9% equity interest in Midea International.
3. The registered capital of Midea Ltd. is owned as to 55% by Shunde Tiantuo and 45% by Lixun Investment. Accordingly, Shunde Tiantuo was deemed to be interested in the 670,076,808 Shares which Midea International was interested in by virtue of its holding 55% equity interest in Midea Group.
4. The registered capital of Midea Group. is owned as to 55% by Shunde Tiantuo and 45% by Lixun Investment. Accordingly, Lixun Investment was deemed to be interested in the 670,076,808 Shares which Midea International was interested in by virtue of its holding 45% equity interest in Midea Group.
5. The registered capital of Shunde Tiantuo is owned as to 90% by Mr. He Xiang Jian and 10% by Ms. Lu De Yan. Accordingly, Mr. He Xiang Jian was deemed to be interested in the 670,076,808 Shares which Midea International was interested in by virtue of his holding 90% equity interest in Shunde Tiantuo.
6. Ms. Liang Fengchai is the spouse of Mr. He Xiang Jian and is therefore deemed to be interested in the 670,076,808 Shares which Midea International was interested in by virtue of Mr. He's holding 90% equity interest in Shunde Tiantuo.
7. The registered capital of Lixun Investment is owned as to 34% by Mr. Zhang Hechuan, 33% by Mr. Li Jianwei and 33% by Ms. Yuan Liqun. Accordingly, Mr. Zhang Hechuan was deemed to be interested in the 670,076,808 Shares which Midea International was interested in by virtue of his holding 34% equity interest in Lixun Investment.
8. Ms. Zhao Hongying is the spouse of Mr. Zhang Hechuan and was therefore deemed to be interested in the 670,076,808 Shares which Midea International was interested in by virtue of Mr. Zhang's holding 34% equity interest in Lixun Investment.

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 under review.

主要股東權益 (續)

附註：

1. 該670,076,808股股份以美的國際名義登記並由其實益擁有。
2. 美的集團成員藉持有美的國際99.9%股權而被視為於美的國際擁有權益之670,076,808股股份中擁有權益。
3. 美的集團成員由順德天托及利迅投資分別擁有55%及45%權益。因此，順德天托藉持有美的集團55%股權而被視為於美的國際擁有權益之670,076,808股股份中擁有權益。
4. 美的集團之註冊資本由順德天托及利迅投資分別擁有55%及45%權益。因此，利迅投資藉持有美的集團45%股權而被視為於美的國際擁有權益之670,076,808股股份中擁有權益。
5. 順德天托由何享健先生及盧德燕女士分別擁有90%及10%權益。因此，何享健先生藉持有順德天托90%股權而被視為於美的國際擁有權益之670,076,808股股份中擁有權益。
6. 梁鳳釵女士為何享健先生之配偶，並因此藉何先生持有順德天托90%股權而被視為於美的國際擁有權益之670,076,808股股份中擁有權益。
7. 利迅投資之註冊資本由張河川先生、栗建偉先生及袁利群女士分別擁有34%、33%及33%權益。因此張河川先生藉持有利迅投資34%股權而被視為於美的國際擁有權益之670,076,808股股份中擁有權益。
8. 趙紅英女士為張河川先生之配偶，並因此藉張先生持有利迅投資34%股權而被視為於美的國際擁有權益之670,076,808股股份中擁有權益。

管理合約

本回顧年度內，本公司並無就整體業務或任何重要業務之管理或行政工作簽訂或存有任何合約。

REPORT OF THE DIRECTORS

董事會報告

MAJOR CUSTOMERS AND SUPPLIERS

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

CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered by the Group during the year ended 31st December 2004, which constitute connected transactions under Chapter 14A of the Listing Rules, are disclosed in the accounts.
- (b) No other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules, are entered by the Group.
- (c) The independent non-executive Directors have reviewed the continuing connected transactions of the Group during the year under review and confirmed that the continuing connected transactions have been entered into:
- (1) in the ordinary and usual course of business of the Group;
 - (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

主要客戶及供應商

本年度內，本集團從其五位最大供應商購入之貨品及服務少於百分之三十，向其五位最大客戶售出之貨品及服務亦少於百分之三十。

關連交易

- (a) 本集團於截至二零零四年十二月三十一日止年度進行之重大關連方交易(即根據上市規則第十四A章構成關連交易者)，乃載於賬目內。
- (b) 本集團於未有進行按照上市規則第十四A章須予披露之與其他有關連人士(即根據上市規則亦構成關連交易者)之交易。
- (c) 獨立非執行董事已審閱本集團於回顧年度之持續關連交易並確認，該持續關連交易：
- (1) 於本集團日常及正常業務過程中訂立；
 - (2) 按正常商業條款訂立，或倘無足夠可資比較交易以判斷該等交易是否按正常商業條款訂立，則按照本集團而言不遜於獨立第三者給予或獲提供之條款訂立；及
 - (3) 按照規管該等交易之相關協議及按公平合理及符合本集團股東整體利益之條款訂立。

REPORT OF THE DIRECTORS

董事會報告

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the terms of the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. In the year under review, the Company, having made specific enquiry on all the Directors, confirms that all its Directors have complied with the Model Code.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year under review, the Company has complied with the Code of Best Practice as set out in the then effective Appendix 14 to the Listing Rules except that no independent non-executive Directors are appointed for a specific term as they 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 Articles.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained, during the year under review, sufficient public float as required under the Listing Rules.

AUDIT COMMITTEE

To protect the interest of shareholders, the Group formed an audit committee ("Committee") on 5 August 1999. The Committee comprised three independent non-executive directors of the Company, namely, Mr. Chan Wai Dune, Mr. Lam Ming Yung and Ms. Chen Chunhua and is set to improve the internal control of the Group. The Group has consulted Practice Note on "Formation of Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants when it established the duties of the Committee. The Committee had reviewed the results of the Group for the year ended 31st December 2004.

遵守上市規則之標準守則

本公司已採納上市規則附錄十所載之董事進行證券交易之標準守則(「標準守則」)。於回顧年度內，本公司已向所有董事作出特定查詢，確認所有董事均遵守標準守則。

遵守上市規則之最佳應用守則

除獨立非執行董事因按本公司之組織章程輪值告退及在股東週年大會應選連任而其任期無固定期限外，本公司於本回顧年度內一直遵守上市規則附錄十四所載列之「最佳應用守則」之規定。

足夠公眾持股量

根據本公司可以得悉，且其董事亦知悉的公開資料，董事確認本公司於回顧年度內一直維持上市規則所規定之足夠公眾持股量。

審核委員會

為進一步保障股東利益，本集團於一九九九年八月五日成立審核委員會(「委員會」)，委員會成員包括本公司三位獨立非執行董事陳維端先生、林明勇先生及陳春花女士，藉以加強本集團內部監控。本集團於制定該委員會之職能時，已參考香港會計師公會頒佈之「成立審核委員會指引」。該委員會已審閱本集團截至二零零四年十二月三十一日止年度之業績。

REPORT OF THE DIRECTORS

董事會報告

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Pricewaterhouse Coopers as auditors of the Group is to be proposed at the forthcoming Annual General Meeting. Arthur Andersen & Co. were auditors of the Company for the financial year ended 31st December 2001.

On behalf of the Board

Fang Hongbo
Chairman

Hong Kong
22nd April 2005

核數師

本賬目已經由羅兵咸永道會計師事務所審核，該核數師任滿告退，但表示願意應聘連任。一項續聘羅兵咸永道會計師事務所為本集團核數師之決議案將於應屆股東週年大會上提呈。安達信公司為本公司截至二零零一年十二月三十一日止財政年度之核數師。

承董事會命

方洪波
董事長

香港，
二零零五年四月二十二日