

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 27 and 28 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 15.

The directors do not recommend the payment of any dividend.

PLANT AND EQUIPMENT

Details of movements during the year in plant and equipment of the Group are set out in note 9 to the financial statements.

INVESTMENT PROPERTIES

Details of movements during the year in investment properties of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 19 to the financial statements.

Directors' Report (Continued)

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Li Guanghao - Chairman	(appointed on 13 July 2004)
Mr. Li Zhaohui	(appointed on 19 October 2004)
Mr. Chen Baodong	
Mr. Sun Shufeng, Sonny	(appointed on 4 March 2004 and resigned on 31 August 2004)
Mr. Liang Xudong, Robert	(resigned on 2 March 2005)
Mr. Chiu Kong	(resigned on 4 March 2004)
Mr. Chung Nai Ting	(resigned on 4 March 2004)
Mr. Tsui Ching Hung	(resigned on 4 March 2004)
Mr. Yeung Kwok Yu	(resigned on 4 March 2004)

Independent non-executive directors:

Mr. Cheung Hok Fung, Alexander	(appointed on 4 March 2004)
Ms. Leung Fung Yee, Alice	(appointed on 4 March 2004)
Ms. Lou Aidong	(appointed on 13 July 2004)
Mr. Chan Sze Hung	(resigned on 4 March 2004)
Mr. Tong Wui Tung	(resigned on 4 March 2004)

In accordance with Article 94 of the Company's Articles of Association, all the existing directors retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The independent non-executive directors are not appointed for specific term but are subject to retirement by rotation in accordance with the Company's Articles of Association.

No director proposed for re-election at the forthcoming annual general meeting 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.

Directors' Report (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2004, none of the directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be recorded in the register required to be kept under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

The Group does not have any share option scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the interests or short positions of the persons, other than a director or chief executive of the Company, 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	Capacity	No. of ordinary shares	% in total issued shares
(i) Mr. Shen Song Ning	Through controlled corporation (ii)	8,780,000	29.98
(ii) Max Team Investments Limited	Through controlled corporation (iii)	8,780,000	29.98
(iii) Honourable International Holdings Limited	Beneficial owner	8,780,000	29.98

All the interests stated above represented long positions in the shares of the Company as at 31 December 2004, there were no short positions recorded in the register required to be kept under section 336 of the SFO.

Directors' Report (Continued)

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

COMPETITION AND CONFLICTS OF INTERESTS

None of the directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except that the independent non-executive directors were not appointed for a specific term as set out in Appendix 14 of the Listing Rules but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association.

Throughout the year ended 31 December 2004, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions based on the specify enquiry of all the directors of the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Directors' Report (Continued)

MAJOR CUSTOMERS AND SUPPLIERS

The Group has no major suppliers, as defined under the Listing Rules of The Stock Exchange of Hong Kong Limited.

The aggregate amount of turnover attributable to the Group's largest customer represented 81% and its five largest customers represented 100% of the Group's total turnover.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest supplies or customers.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 26 to the financial statements.

AUDITORS

The financial statements have been audited by Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Li Guanghao

Chairman

Hong Kong, 27 April 2005