



SHANGHAI MERCHANTS HOLDINGS LIMITED

上海商貿控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1104)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

The board of directors (the “Board”) of Shanghai Merchants Holdings Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004 were as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	3	22,305	62,198
Cost of sales		(21,369)	(69,626)
Gross profit (loss)		936	(7,428)
Other operating income		13	37
Distribution costs		(429)	(266)
Administrative expenses		(8,455)	(18,147)
Allowance for bad and doubtful debts		(14,816)	(29,013)
Loss from operations	4	(22,751)	(54,817)
Interest on bank and other borrowings wholly repayable within five years		(335)	(118)
Allowance for advance to an investee company		(24,806)	–
Gain on de-consolidation of a subsidiary	5	11,624	–
Loss before taxation		(36,268)	(54,935)
Income tax expense	6	(31)	–
Loss for the year		(36,299)	(54,935)
Loss per share – Basic	7	(8.79) cents	(14.05) cents

1. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

Following the assumption of powers to manage the affairs of the Company on 2 July 2004, the Directors have found that the Group's accounting records and supporting vouchers for the year ended 31 December 2003 were incomplete. Accordingly, the financial statements of the Company and of the Group for the year ended 31 December 2003 had been prepared based on the management accounts prepared by the Receivers on the basis of the information available to them. However, the Receivers were not in a position to verify the validity or authenticity of any of such information or records made available to them or to give representation that all transactions affecting the Group have been included in the management accounts. The Receivers therefore disclaimed all liabilities in respect of the completeness and accuracy of the management accounts of the Group for the year ended 31 December 2003.

In addition, the Receivers had only limited access to the books and records of certain of the Company's subsidiaries, Park Well International Group Limited ("Park Well") and its subsidiaries (the "Park Well Group"). Accordingly, the management accounts of Park Well Group as at 31 March 2003 were used by the Receivers in the preparation of the Group's management accounts for the year ended 31 December 2003.

Against this background, the Directors do not represent that the comparative figures extracted from the financial statements for the year ended 31 December 2003 are free from material misstatement.

During the year under review, efforts have been made by the Directors to recover and reconstruct the books and records of the Group. An independent professional accounting firm was appointed to perform an entry by entry review and reconstruct where necessary the financial information prepared by the Receivers for the period from 1 January 2004 to 1 July 2004.

Based on the work conducted as described above, the Directors are satisfied that the financial statements for the year ended 31 December 2004 are free from material omissions or misstatements except that the Directors had no access to the books and records of Chaoyang Hua Loong Textiles and Dyeing Limited ("Chaoyang Hua Loong") since 1 April 2003, a company established in the People's Republic of China with its entire equity interest held by the Group. Chaoyang Hua Loong was de-consolidated from the Group's consolidated financial statements with effect from 1 January 2004.

In light of the above, except for the reserves relating to Chaoyang Hua Loong, the Directors are satisfied that the opening reserves of the Company and the Group as at 1 January 2004 are free from material misstatement.

3. SEGMENTAL INFORMATION

Analysis of the Group's business segmental information is as follows:

2004

	Continuing operations		Discontinued operation	
	Trading in base metals HK\$'000	Trading in fabric products and other merchandises HK\$'000	Fabric processing HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	<u>13,522</u>	<u>8,783</u>	<u>–</u>	<u>22,305</u>
RESULTS				
Segment profit	<u>121</u>	<u>393</u>	<u>–</u>	514
Unallocated corporate expenses				(23,265)
Interest on bank and other borrowings wholly repayable within five years				(335)
Allowance of advance to an investee company	–	–	(24,806)	(24,806)
Gain on de-consolidation of a subsidiary	–	–	11,624	<u>11,624</u>
Loss before taxation				(36,268)
Income tax expense				<u>(31)</u>
Loss for the year				<u>(36,299)</u>

2003

	Continuing operations		Discontinued operation	
	Trading in base metals HK\$'000	Trading in fabric products and other merchandises HK\$'000	Fabric processing HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	<u>53,827</u>	<u>8,371</u>	<u>–</u>	<u>62,198</u>
RESULTS				
Segment (loss) profit	<u>(7,509)</u>	<u>81</u>	<u>–</u>	(7,428)
Unallocated corporate expenses				(47,389)
Interest on bank borrowings wholly repayable within five years				<u>(118)</u>
Loss for the year				<u>(54,935)</u>

4. LOSS FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss from operations has been arrived at after (charging)/crediting:		
Auditors' remuneration	(430)	(350)
Depreciation and amortisation	(17)	(77)
Loss on disposal of property, plant and equipment	(112)	–
Interest income from bank deposits	<u>4</u>	<u>35</u>

5. GAIN ON DE-CONSOLIDATION OF A SUBSIDIARY

On 12 April 2003, the Company entered into a sale and purchase agreement to dispose of the entire issued share capital of Park Well, including the 100% equity interest in Chaoyang Hua Loong held by a wholly-owned subsidiary of Park Well, to Show Goods Inc., a company incorporated in the British Virgin Islands, (the "Park Well Disposal Agreement"). Based on the Receivers' investigations, they are of the view that despite the Park Well Disposal Agreement, the purported disposal of Park Well was rescinded and not completed and therefore the Company remains to be the beneficial owner of Park Well. The Receivers had since then taken steps to secure control over various companies comprising the Park Well Group. However, Chaoyang Hua Loong remains not under the control of the Company. Having obtained legal advice, in the opinion of the Board, the Group is still unable to exercise control over the financial and operating decisions of Chaoyang Hua Loong. Accordingly, Chaoyang Hua Loong was not regarded as a subsidiary of the Company with effect from 1 January 2004 and was accounted for as an investment security and stated in the consolidated balance sheet at 31 December 2004 at nil value.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net liabilities de-consolidated:		
Property, plant and equipment	23,743	–
Trade and other payables	(515)	–
Advance from Park Well	(24,806)	–
Taxation payable	<u>(10,046)</u>	<u>–</u>
Gain on de-consolidation of a subsidiary	<u>(11,624)</u>	<u>–</u>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 17.5% of the assessable profit for the year.

In the absence of complete books and records of the Group for the year ended 31 December 2003, the Directors are unable to quantify the effect and make appropriate disclosures in respect of deferred taxation in accordance with the requirements of Statement of Standard Accounting Practice No. 12 (Revised) "Income Taxes" issued by the HKICPA for that year.

The charge for the year can be reconciled to the loss per the income statement as follows:

	2004 HK\$'000
Loss before taxation	(36,268)
Tax at Hong Kong Profits Tax rate of 17.5%	(6,347)
Tax effect of expenses not deductible for tax purpose	8,309
Tax effect of income not taxable for tax purpose	(2,051)
Tax effect of tax loss not recognised	120
Tax charge for the year	31

At 31 December 2004, the Group had unused tax losses of approximately HK\$23,702,000 (2003: HK\$23,018,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$36,299,000 (2003: HK\$54,935,000) and on 413,000,000 (2003: a weighted average number of 391,082,192) shares in issue during the year.

Diluted loss per share has not been presented for the year ended 31 December 2004 as there were no potential dilutive shares outstanding during the year.

Diluted loss per share had not been presented for the year ended 31 December 2003 as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2004 (2003: Nil).

FINANCIAL REVIEW

Litigation and Contingent Liabilities

At 31 December 2004, the Group had the following litigation and contingent liabilities:

- (i) Having obtained legal advice, the Receivers commenced legal proceedings on 2 July 2003 against Great Center Limited (“Great Center”), a company incorporated in the British Virgin Islands, for the repayment of two sums totaling US\$4.5 million (or approximately HK\$35.1 million), remitted on or about 21 May 2003 with no apparent justification, from the bank accounts of Merchants (Hong Kong) Limited (“Merchants HK”), a wholly-owned subsidiary of the Company, to a bank account maintained in the name of Great Center, and interest thereon, damages and costs of the legal proceedings (“the Great Center Action”). In order to prevent the dissipation of Great Center’s assets, an injunction order was applied for, and successfully obtained on 30 June 2003, from the High Court to restrict Great Center from, inter alia, disposing of or otherwise dealing with or diminishing assets of Great Center up to the value of US\$4.5 million (the “Injunction Order”). The relevant bank, the lawyers of Great Center and other relevant persons have been notified of the Injunction Order. The Injunction Order remained valid up to and including 11 July 2003 on which date the Injunction Order was continued until further order or final determination of the Great Center Action.
- (ii) The writ of summons issued on 2 July 2003 in relation to the claim against Great Center for the repayment of US\$4.5 million was amended on 10 July 2004 (the “Amended Writ”) to include the claims for (i) the repayment of HK\$12.8 million remitted from a bank account of the Company to a bank account in the name of Great Center on or about 17 April 2003; and (ii) the repayment of HK\$22.0 million remitted from a bank account of the Company to a bank account in the name of Modern Shine Enterprises Limited (“Modern Shine”), a company incorporated in the British Virgin Islands, on or about 22 April 2003, interest thereon, damages and costs of legal proceedings. The sum of claims under the Amended Writ amounts to approximately HK\$69.9 million (the “Great Center Claim”). The Amended Writ also includes a bank in Hong Kong, Modern Shine, certain former executive directors, officers and employees of the Group, and all directors or authorised signatories of Great Center and Modern Shine as defendants (the “Defendants”) for the purposes of seeking orders against them for the disclosure of documents and/or information. An application was made on 10 July 2003 to the High Court for an order (the “Disclosure Order”) that the Defendants disclose to the Company and Merchants HK all relevant information and documents relating to the transfers of the amounts comprising the Great Center Claim. The Disclosure Order was granted by the High Court on 18 July 2003.
- (iii) Solicitors instructed by the directors have pursued the claim against Great Centre and Modern Shine further and obtained the following directions from the court:–
 - (a) The Company do file and serve its list of documents by 21 March 2005;
 - (b) Great Centre and Modern Shine do file and serve their lists of documents by 28 March 2005;
 - (c) There be inspection of documents by 11 April 2005;
 - (d) The parties do exchange signed witness statements of facts within 25 April 2005; and
 - (e) The application for leave to set the case down for trial be adjourned to 25 April 2005 at 10:00 a.m. before the Listing Clerk for fixing an appointment before the Listing Master.

The Company and Great Center have exchanged their list of documents and solicitors for the Company have received copy documents from Great Center's solicitors for inspection. Modern Shine has failed to comply with the direction to file and serve its list of documents. Solicitors for the Company have taken out an application against Modern Shine for an order that it must serve and file its list of documents within 7 days of the order, failing which solicitors for the Company will further apply for an order that unless Modern Shine do comply with the direction of the court within 14 days, judgment be entered against it for the full amount claimed. Solicitors for the Company anticipate that judgment against Modern Shine could be entered by end of May 2005. After that it will be for the Company to trace the assets of Modern Shine in order to recover the judgment sum.

- (iv) As a result of the information provided to the Company and Merchants HK under the Disclosure Order, the Receivers have discovered that, together with certain funds out of the Great Center Claim, an aggregate amount of approximately HK\$37 million was transferred, by a series of transfers, by Great Center and Modern Shine to Win Victory Holdings Limited ("Win Victory"), a company incorporated in Hong Kong and Mr. Chau Ching Ngai, former substantial shareholder of the Company and the spouse of Ms. Mo Yuk Ping, and Ms. Mo Yuk Ping, former chairman of the Company, are the registered shareholders of 49% and 51%, respectively, of the issued share capital of Win Victory, without apparent legitimate commercial reason. Having obtained legal advice, the Receivers commenced legal proceedings on 23 August 2003 against Win Victory (the "Win Victory Action") for the repayment of the HK\$37 million, interest thereon, damages and costs of legal proceedings (the "Win Victory Claim"). It should be noted that should any of the amount claimed against Win Victory be recovered from Great Center and/or Modern Shine in the Great Center Claim such amounts will be taken into account in the Win Victory Action. In order to prevent the dissipation of Win Victory's assets, the Company applied for, and obtained on 22 August 2003, from the High Court an injunction order against Win Victory (the "Win Victory Injunction Order") to restrict Win Victory from, among other things, disposing of or otherwise dealing with or diminishing the value of its assets up to the value of HK\$37 million. On 29 August 2003, the Win Victory Injunction Order was continued until further order or final determination of the Win Victory Action.
- (v) Having obtained legal advice, the Receivers, on behalf of the Company, petitioned for the winding-up of Win Victory on the grounds that Win Victory is unable to pay its debts and/or it is just and equitable for Win Victory to be wound up and obtained an order from the High Court on 24 September 2003, among other things, appointing Messrs. Desmond Chung Seng Chiong and Roderick John Sutton of Ferrier Hodgson Limited of 14th Floor, Hong Kong Club Building, 3A Chater Road, Hong Kong as the provisional liquidators of Win Victory. In the first instance, this order would remain valid up to and including 7 October 2003, on which date the matter would be heard again by the High Court.
- (vi) The appointment of Provisional Liquidators is continued by an order of the court made by Madam Justice Kwan on 7 October 2003 until the determination of the Winding Up Petition, which has been adjourned. Due to the lack of funds in Win Victory, the Provisional Liquidators have not undertaken an extensive investigation. The continuation of the Petition will enable a more thorough investigation of the flow of funds in and out of Win Victory. The Petition is being opposed by Chau Ching Ngai. Solicitors for the Company will continue with the Winding Up proceedings.
- (vii) Solicitors for the Company issued a writ of Summons on 17th December 2004 against Tsoi Hon Chung and his son Tsoi Chun Bun for the return of all statutory books, records and documents of Park Well on the basis that on 15th July 2003, those documents were sent by Secretaries Limited to Tsoi Chun Bun as the agent of Tsoi Hon Chung, who was at the material times the sole director of Park Well. The Company has a copy of the signed receipt by Tsoi Chun Bun for the above documents. Both Tsoi Hon Chung and Tsoi Chun Bun deny the receipt and/or receipt as agent of such statutory books and records in their Defence filed in February 2005. Solicitors for the Company have taken out a Summons for Directions for the exchange of lists of documents and witness statements in order to set the case down for trial.

Pledge of Assets

	2004 HK\$'000	2003 HK\$'000
(a) Banking facilities of HK\$8 million (2003: Nil) granted by a bank and secured by bank deposits of the Group	8,000	—
(b) Other loan facilities of HK\$15 million (2003: Nil) granted by a financial institution and secured by floating charges over:		
– Trade and other receivables	6,853	—
– Bank balances and cash	6,917	—
	13,770	—
	21,770	—

In addition, at 31 December 2004, the Company's interests in its subsidiaries had been pledged under floating charges to secure the other loan facilities granted by a financial institution to the Group.

Liquidity and Financial Resources

As at 31 December 2004, the Group had secured borrowings of HK\$15 million (2003: Nil), and bank balances and cash were at approximately HK\$14,929,000 (2003: HK\$16,831,000).

Foreign Exchange Exposure

Since most business transactions conducted by the Group and payments made to suppliers are either in Hong Kong Dollars, or US Dollars, no use of financial instruments for hedging purposes is considered necessary.

SUMMARY OF AUDITORS' QUALIFIED REPORT

The auditors' report on the Group's financial statements for the year ended 31 December 2004 contained a qualified opinion arising from limitation of audit scope. The followings are extracts from the auditors' report.

Basis of opinion

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as set out below.

(i) *Financial Information of Chaoyang Hua Loong*

- (a) As explained in note 2, despite the on-going legal actions taken by the management of the Company, the management had no access to the books and records of Chaoyang Hua Loong, a company established in the People's Republic of China with its entire equity interest held by the Group, for the period from 1 April 2003 to 31 December 2003. Accordingly, the management accounts of Chaoyang Hua Loong as at 31 March 2003 were used in the preparation of the Group's consolidated financial statements for the year ended 31 December 2003. Against the above background, the present directors are unable to satisfy themselves as to whether the opening reserves of the Company and the Group as at 1 January 2004 are free from material misstatement.

- (b) As disclosed in note 5, during the year the Group de-consolidated Chaoyang Hua Loong. The Group's interest in Chaoyang Hua Loong has been classified as an investment security and is stated in the consolidated balance sheet at 31 December 2004 at nil value. In addition, the Group made a full allowance against an amount of HK\$24,806,000 due from Chaoyang Hua Loong. In the absence of reliable current financial information relating to the assets and liabilities of Chaoyang Hua Loong, we are unable to satisfy ourselves as to whether the interest in Chaoyang Hua Loong at 31 December 2004 is free from material misstatement and also whether the full allowance against the amount due from Chaoyang Hua Loong is appropriate.

(ii) Recoverability of amount due from Great Center Limited

- (a) Included in trade and other receivables at 31 December 2004 is an amount of approximately HK\$35.1 million due from Great Center Limited (the "Great Center Debt"). We are unable to obtain financial information of Great Center Limited so as to assess whether allowance for bad and doubtful debts is required in respect of this amount. Further details of this debt are set out in the section headed "Litigation and Contingent Liabilities".
- (b) The Great Center Debt was held by a wholly-owned subsidiary of the Company at 31 December 2004. Because of the matter referred to in (a) above, we are unable to satisfy ourselves as to whether any provision for impairment in value relating to the Company's interests in this subsidiary was necessary as at 31 December 2004.

Any adjustment found to be necessary to the above amounts would affect the loss of the Group for the year ended 31 December 2004 and the net assets of the Company and the Group as at that date.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Qualified opinion arising from limitations of audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the matters referred to in the basis of opinion section of this report, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work set out in the basis of opinion section of this report:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we are unable to determine whether proper books of account have been kept for the entire year ended 31 December 2004.

Further, we draw attention to note 2 which explains that the comparative figures were extracted from the financial statements for the year ended 31 December 2003 and that the present directors do not represent that these figures are free from material misstatement.

BUSINESS REVIEW

Turnover of the Group during the year was HK\$22,305,000 a decrease of 64% as compared with 2003. As the Group was under receivership during the period of January 2004 to July 2004, its business operations were suspended during that time. The present directors were appointed to the Company as a result of a special general meeting held on 26 April 2004 and took control of the Company in July 2004 subsequent to the discharge of the former receivers. In September and December 2004, the Group resumed its fabric products and other merchandises trading business, and base metals trading business respectively. Gross profit has returned to positive region to HK\$936,000 (2003: HK\$7,428,000). Loss attributable to shareholders has also reduced to HK\$36,299,000 from HK\$54,935,000 in 2003.

Trading in base metals

Turnover for this sector reached HK\$13,522,000 in the year. It represented a decrease of 75% when compared with HK\$53,827,000 attained in 2003. The decrease is because of business inactivity for the period of January to July 2004 when the Group was under the control of former receivers. The Board has endeavored to realign the overall business operation in order to resume the base metals trading business. The base metals trading business segment contributed HK\$121,000 to the Group's operating profits as compared to a loss of HK\$7,509,000 in 2003.

Trading in fabric products and other merchandises

Turnover for the Group's fabric and general trading business segment reached HK\$8,783,000 during the year (2003: HK\$8,371,000), a slight increase of about 5% as compared with 2003. Segmental profit attributable to the Group during the year amounted to HK\$393,000 (HK\$81,000 in 2003), an increase of 385% as compared with 2003. Such operating result was achieved notwithstanding the Group's operation was only resumed in September 2004. Since the Board took control of the Company, it has been taking active steps to revive the existing operations of the Group. The Board has conducted a business and operational review of the Group with a view to formulating business strategies to revive business and expand the long term growth of the business.

Employees and Remuneration policy

As at 31 December 2004, the Group had 5 managerial, trading and administrative staffs in Hong Kong. The Group remunerates its employees largely based on the prevailing industry practice.

BUSINESS OUTLOOK

On 19 April 2005, the company entered into a heads of terms with the shareholders of an acquisition target ("Target") in the PRC which is also engaged in the trading business to acquire their interests in the entire issued share capital of the Target a consideration of HK\$4.5 million, which will be settled by issuance of convertible bonds by the Company. The parties have agreed that a sale & purchase agreement will be entered into upon the Stock Exchange of Hong Kong Limited ("Stock Exchange") granting resumption of trading in the share of the Company. The Board considers that the proposed acquisition will keep itself abreast with the lucrative growth opportunities that the PRC market presents and strengthen its ability to meet the rising demand from its customers.

The Board also proposes to conduct a rights issue of HK\$82.6 million immediately after the resumption ("Rights Issue"). Sun Hung Kai International Limited has indicated its interest to the Company that it will fully underwrite the Rights Issue, only conditional upon the Stock Exchange granting the resumption approval and Profit Harbor Investments Limited, the existing controlling shareholder, has undertaken to take up all its entitlement under the Rights Issue. The Board is convinced that the Company will be able to embark on business opportunities with a strengthened financial position after the Rights Issue. The Board also considers that the Rights Issue will enlarge the capital base of the Company and provided an equal opportunity to the shareholders to benefit from the growth of the Company.

The Group will continue to focus on pursuing its core business in the field of trading in fabric products and other merchandises, and base metals. The Group will also evaluate and explore other viable business opportunities made available to the Group, which could be of long-term interest and to the benefit of the Group and its shareholders as a whole. Further, the Board has been leveraging on the extensive experience and business networks of the directors to explore other viable business opportunities to create long term potential for the Company and its shareholders.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises the three independent non-executive directors of the Company which was established on 6 July 2004. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2004 with the management of the Company.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the year ended 31 December 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

The Directors are unable to form an opinion as to whether the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules during the period from 1 January 2004 to 1 July 2004 (the period under receivership).

For the period from 2 July to 31 December 2004 (the period when the Directors were in control), the Company has fully complied with the Code except that (i) the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-laws; and (ii) the guidelines set out in paragraph 14 of the Code were not complied with until the formation of the Audit Committee on 6 July 2004 following the Directors' resumption of powers to manage the affairs of the Company on 2 July 2004.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 9:30 a.m. on 2 June 2003 and remains suspended.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEBSITE

The Company's annual report 2004 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange.

Should there be any inconsistencies between the English text and the Chinese text of this announcement, the English text of this announcement will prevail over the Chinese text.

DIRECTORS OF THE COMPANY

As at the date of this announcement, the Directors currently comprise of Mr. Yue Jialin and Mr. Lau Yau Cheung Brent, both of whom are executive Directors and Mr. Wong Wing Kuen, Albert, Mr. Tsui Robert Che Kwong and Wu Guo Jian all of them are independent non-executive Directors.

On behalf of the board of Directors

Yue Jialin

Chairman

Hong Kong, 26 April 2005

** For identification purpose only*

“Please also refer to the published version of this announcement in The Standard”