

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and 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 the Company's subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### RESULTS AND DIVIDENDS

The Group's profit 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 19 to 62.

An interim dividend of HK0.70 cent per ordinary share was paid on 21 September 2004. The directors recommend the payment of a final dividend of HK0.30 cent per ordinary share in respect of the year, to shareholders whose names appear on the register of members on 15 June 2005. The full year dividend reaches to HK1.00 cent which accounts for about one-third of our distributable profit during the year. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

### FINANCIAL INFORMATION SUMMARY

A summary of the published results and 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 below. This summary does not form part of the audited financial statements.

#### RESULTS

	Year ended 31 December				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net profit from ordinary activities					
attributable to shareholders	<b>98,334</b>	58,688	23,014	30,086	62,658

#### ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 December				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	<b>831,112</b>	551,600	390,585	344,803	294,492
TOTAL LIABILITIES	<b>(456,002)</b>	(304,993)	(186,360)	(162,119)	(129,055)
MINORITY INTERESTS	<b>(11,356)</b>	( 8,249)	( 8,248)	( 9,721)	—
	<b>363,754</b>	238,358	195,977	172,963	165,437

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### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 13 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year, together with the reasons therefor, are set out in note 26 to the financial statements.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

At 31 December 2004, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2001 Revision) of the Cayman Islands, amounted to HK\$274,906,000. This includes the Company's share premium account in the amount of HK\$87,208,000 as at 31 December 2004, which may be distributed in the form of fully paid bonus shares.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$152,000.

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 32% of the total sales for the year and sales to the largest customer included therein amounted to 9%. 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.

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### DIRECTORS

The directors of the Company during the year were:

#### Executive directors:

Mr. Wang Ya Nan (*Chairman*)

Mr. Wang Ya Hua (*Vice chairman*)

Mr. Wong Ah Yu

Mr. Wong Ah Yeung

Mr. Choi Wai Sang

Mr. Shi Bi Xi (resigned on 19 April 2004)

#### Independent non-executive directors:

Mr. Wong Kong Hon SBS JP

Mr. Ting Leung Huel, Stephen

Mr. Cheung Wah Fung, Christopher JP (appointed on 30 September 2004)

In accordance with article 108(A) of the Company's articles of association, Messrs. Wong Kong Hon, Ting Leung Huel, Stephen and Cheung Wah Fung, Christopher will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the interests of the directors in the share capital 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Notes		
Mr. Wang Ya Nan	34,920,000	1,833,000,000	1	1,867,920,000	56.61
Mr. Wang Ya Hua	19,920,000	1,833,000,000	1	1,852,920,000	56.16
Mr. Wong Ah Yu	12,160,000	1,833,000,000	1	1,845,160,000	55.92
Mr. Wong Ah Yeung	–	1,833,000,000	1	1,833,000,000	55.55
Mr. Choi Wai Sang	–	78,750,000	2	78,750,000	2.39

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**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**  
*(continued)**Notes:*

1. These shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% each by Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").
2. These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang.

Saved 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 Companies.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the share option scheme disclosures in note 26 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 director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

**SHARE OPTION SCHEME**

Concerning the share options granted during the year to the directors and employee as detailed in note 26 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the option granted because in the absence of a readily available market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options.

**SUBSTANTIAL SHAREHOLDERS**

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

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	1,833,000,000	55.55
Value Partners Limited	2	Directly beneficially owned	268,840,000	8.15

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### SUBSTANTIAL SHAREHOLDERS *(continued)*

*Notes:*

1. The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% each by the Wong Brothers.
2. The issued share capital of Value Partners Limited is held and beneficially owned as to 31.82% by Mr. Cheah Cheng Hye.

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 "Directors' interests and short positions 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.

### DIRECTORS' SERVICE CONTRACTS

Each of the Wong Brothers and Mr. Choi Wai Sang, being the executive directors of the Company, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 December 2000, and which will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. Such notice shall not expire until after the afore-mentioned initial fixed term.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting have 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

Saved as disclosed in note 2 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the Annual Report.

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

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

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### POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 32 to the financial statements.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange throughout the year covered by the Annual Report, except that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's memorandum and articles of association.

### AUDIT COMMITTEE

The Company has an audit committee (the "Committee"), which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises the three independent non-executive directors of the Company. The Group's financial statements for the year ended 31 December 2004 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, and legal requirements, and that adequate disclosures have been made.

### 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

**Wang Ya Nan**

*Chairman*

Hong Kong

18 April 2005