

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st December 2004.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 32 to the accounts.

An analysis of the Group's performance for the year by business segments is set out in note 2 to the accounts.

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to markets outside Hong Kong.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 27.

The directors have declared an interim dividend of HK\$0.07 per ordinary share, totalling HK\$49,307,000 was paid on 15th October 2004.

The directors recommend the payment of a final dividend of HK\$0.123 per ordinary share to Shareholders whose names appear on the register of members of the Company on 15th April 2005. Taking into account of the interim dividend payment, total dividends for the year would amount to HK\$135,947,000, an increase of 197 percent over HK\$45,767,000 of last year. The final dividend will be paid on or before 20th April 2005.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$1,545,000.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

Investment properties

Details of the principal properties held for investment purposes are set out on page 74.

Share capital, share options and warrants

Details of the movements in share capital, share options and warrants of the Company are set out in note 21 to the accounts.

Distributable reserves

At 31st December 2004, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$160,325,000.

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 3.

Purchase, sale or redemption of shares

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

Report of the Directors

Directors

The directors during the year were:

Executive Directors

Mr WONG Kin Yip, Freddie
Mr CHEUNG Kam Shing
Ms LAM Fung Fong
Mr CHAN Kwan Hing
(appointed on 24th September 2004)
Mr KWOK Ying Lung
(appointed on 24th September 2004)
Ms IP Kit Yee, Kitty
(resigned on 24th September 2004)

Independent Non-executive Directors

Mr KOO Fook Sun, Louis¹
(appointed on 24th September 2004)
Mr SUN Tak Chiu¹
(appointed on 24th September 2004)
Mr WANG Ching Miao, Wilson¹
(appointed on 24th September 2004)
Mr CHUNG Kam Wing, Calvin²
(resigned on 24th September 2004)
Mr KAN Chung Nin, Tony
(resigned on 24th September 2004)
Mr LAI Dominic³
(resigned on 24th September 2004)
Mr AU Son Yiu⁴
(resigned on 19th August 2004)

1 appointed as members of audit committee on 24th September 2004

2 resigned as member of audit committee on 24th September 2004

3 appointed as and resigned as member of audit committee on 19th August and 24th September 2004 respectively

4 resigned as member of audit committee on 19th August 2004

Mr Cheung Kam Shing and Ms Lam Fung Fong shall retire by rotation in accordance with bye-law 87 of the Company's Bye-laws. Both retiring directors, being eligible, will offer themselves for re-election.

Messrs Chan Kwan Hing, Kwok Ying Lung, Koo Fook Sun, Louis, Sun Tak Chiu and Wang Ching Miao, Wilson shall retire in accordance with bye-law 86(2) of the Company's Bye-laws. All retiring directors, being eligible, will offer themselves for re-election.

Pursuant to the Company's Bye-laws, all directors, except the chairman of the Board and/or the managing director of the Company, are subject to retirement by rotation.

Each of the independent non-executive director has entered into a service contract with the Company for a term of one year.

The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

Directors' service contracts

On 5th May 2001, Mr Wong Kin Yip, Freddie entered into a service agreement with the Company for a period of 5 years from 1st May 2001 to 30th April 2006.

None of the directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out as follows:

Executive Directors

Mr WONG Kin Yip, Freddie, aged 55, is the Founder and Chairman of the Company. He established the Company in 1973 and is responsible for the overall corporate direction, corporate strategy and policy making of the Group. Mr Wong has more than 32 years of experience in the real estate broking business in overseas, China and Hong Kong. He has been the chairman of the Board of the Company since 1993. He is also a director of Sunluck Services Limited and Southern Field Trading Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Mr CHEUNG Kam Shing, aged 41, has been appointed as the Executive Director of the Company since June 1998. He has extensive experience in real estate broking and marketing. With his many years of experience, Mr Cheung is participating in the formulation of policy and strategy of the Group, and is responsible for the Group's overall strategic sales and marketing plan in market. Mr Cheung has served the Group for 18 years and was appointed as Deputy Chairman of the Company in June 2001.

Ms LAM Fung Fong, aged 43, has been appointed as the Executive Director of the Company since January 2002. She has over 19 years of experience in accounting and finance. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She is currently in charge of the overall financial and accounting, legal, company secretarial and property administration functions of the Group. Ms Lam joined the Group in 1995.

Mr CHAN Kwan Hing, aged 41, has been appointed as the Executive Director of the Company since September 2004. He has over 19 years of experience in the real estate agency business. Mr Chan joined the Group in 1991 and is the Chief Executive Officer of the Group's residential property division in Hong Kong. Mr Chan is responsible for formulating strategy and overseeing the operation of the division dealing with residential property agency business in Hong Kong.

Mr KWOK Ying Lung, aged 41, has been appointed as the Executive Director of the Company since September 2004. He has over 19 years of experience in the real estate agency business, particularly in the property agency business in the Mainland China and non-residential property agency business, including industrial, office and retail properties in Hong Kong. Mr Kwok joined the Group in 1988 and is the Chief Executive Officer of the Group's China division. He is responsible for the strategic management, marketing management and sales force management of the China division. He is also an adviser on the Group's non-residential property agency business in Hong Kong.

Independent Non-executive Directors

Mr KOO Fook Sun, Louis, aged 48, has been appointed as the Independent Non-executive Director of the Company since September 2004. Mr Koo is also the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr Koo has many years of experience in investment banking and professional accounting. He was the managing director and head of the corporate finance department of a major international bank, a director and chief executive officer of a main board listed company. He currently also serves as an independent non-executive director of another two companies listed on the main board. Mr Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a member of the Hong Kong Institute of Certified Public Accountants. Mr Koo has also been appointed as a member of the Audit Committee of the Company since September 2004.

Report of the Directors

Biographical details of directors and senior management *(continued)*

Mr SUN Tak Chiu, aged 41, has been appointed as the Independent Non-executive Director of the Company since September 2004. Mr Sun has over 18 years of experience in the fields of accounting, securities industries and corporate finance. Mr Sun holds a bachelor's degree in laws and a master degree in business administration and is a director of an investment advisory company licensed with the Securities and Futures Commission in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Chartered Association of Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities Institute. Mr Sun has also been appointed as a member of the Audit Committee of the Company since September 2004.

Mr WANG Ching Miao, Wilson, aged 43, has been appointed as the Independent Non-executive Director of the Company since September 2004. Mr Wang has over 15 years of experience in the field of optical products manufacturing. Mr Wang is the founder of and is currently the managing director of Ginfax Development Limited which is engaged in the business of optical products manufacturing. Mr Wang has also been appointed as a member of the Audit Committee of the Company since September 2004.

Senior Management

Ms IP Kit Yee, Kitty, aged 44, has been appointed as the Managing Director (corporate affairs) of the Group since September 2004 and was appointed as the Executive Director of the Company in October 1993. She is responsible for overall corporate affairs, management and administrative functions of the Group. She is also participating in formulating plans and policies to improve effectiveness in operation and control of the Group. Ms Ip has many years of experience in property administration and real estate broking and marketing in Hong Kong and the Mainland China.

In 2002, she participated in the establishment of the Group's franchise operation in the Mainland China. She has been in charge in all aspects of the training of the Group and established Midland Campus which is a renowned training center in the field of real estate agency.

Mr CHAN Kin Chu, Harry, aged 35, is the Company Secretary of the Company and is responsible for overseeing legal and compliance functions of the Group. He also participated in the business development work of the Group. Mr Chan graduated at The University of Hong Kong with a Bachelor of Laws degree. He also obtained the Second Bachelor Degree in Chinese Law of Tsinghua University, PRC; and a Master of Laws degree of The University of London, UK. He is admitted to the High Court of Hong Kong SAR to practice law in Hong Kong. Before joining legal profession, he had been working with the sales and marketing arms of a sizeable property developer where he was engaged in property development and property management activities. Mr Chan joined the Group in February 2000.

Mr WU Yat Fat, Fredy, aged 44, has been appointed as the Chief Executive Officer of Hong Kong Property Services (Agency) Limited, a wholly owned subsidiary of the Company, since October 2004 and was appointed as its Sales Director in May 2002. Mr Wu is currently responsible for overseeing the operation of the divisions dealing with property broking in Hong Kong Property Services (Agency) Limited. He has broad experience in dealing with property broking. Mr Wu has served the Group for seven years.

Mr WONG Tsz Wa, aged 41, has been appointed as the Chief Executive Officer (IC&I) of the Group since September 2004. He is currently responsible for overseeing the divisions dealing with non-residential property broking including industrial, office and retail properties in Hong Kong. He has broad experience in dealing with property broking. He joined the Group in September 1993.

Directors' interests in contracts

No contracts of significance in relation to the Group's business 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.

Directors' interests in equity or debt securities

As at 31st December 2004, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

	Personal interests	Number of ordinary shares held			Total	Percentage of shareholding
		Corporate interests	Family interests			
Mr WONG Kin Yip, Freddie	29,636,000 (note (a))	117,104,000 (note (b))	–	146,740,000	20.83%	
Mr CHEUNG Kam Shing	321,000 (note (c))	–	–	321,000	0.05%	
Ms LAM Fung Fong	575,000 (note (d))	–	225,000 (note (e))	800,000	0.11%	

Notes:

- (a) These shares are held by Mr WONG Kin Yip, Freddie as beneficial owner.
- (b) These shares are owned by Sunluck Services Limited, a private company controlled by Mr WONG Kin Yip, Freddie through Southern Field Trading Limited.
- (c) These shares are held by Mr CHEUNG Kam Shing as beneficial owner.
- (d) These shares are held by Ms LAM Fung Fong as beneficial owner.
- (e) These shares are held by the spouse of Ms LAM Fung Fong.

Report of the Directors

Directors' interests in equity or debt securities *(continued)*

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, at as 31st December 2004, none of the directors or the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Share option scheme

The Company adopted the 1995 Share Option Scheme on 12th May 1995. The 1995 Share Option Scheme was terminated on 30th April 2002 without prejudice to the rights and benefits of and attached to those options granted thereunder which were outstanding as at 30th April 2002.

At the special general meeting of the Company held on 30th April 2002, an ordinary resolution was duly passed under which the 2002 Share Option Scheme was adopted and approved by the Shareholders of the Company. A summary of the 2002 Share Option Scheme is as follows:

(1) Purpose

The principal purposes of the 2002 Share Option Scheme are to enable the Group to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("Invested Entity"), to recognise the significant contribution of the eligible persons to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and give incentives to these persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

(2) Eligible persons

- (i) any employee (whether full or part time and including executive director) of any member(s) of the Group or any Invested Entity; or
- (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; or
- (iii) any supplier, customer, consultant, adviser or agent to and of any member of the Group or any Invested Entity.

Share option scheme (continued)

(3) Total number of shares available for issue

Total number of shares available for issue are 59,618,900, representing approximately 8.46% of the issued share capital of the Company as at the date of this report.

(4) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of options granted under the 2002 Share Option Scheme and any other share option schemes of the Company to each eligible person (including cancelled, exercised and outstanding options), in any 12-month period must not exceed 1% of the shares in issue.

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the directors to each eligible person who accepts an offer in accordance with the terms of the 2002 Share Option Scheme, provided that it shall commence on a date not be more than ten years from the date of grant.

(6) Acceptance of offer

An offer for the grant of an option must be accepted within twenty-eight days from the day on which such offer was made. The amount payable on acceptance of the offer for the grant of an option is HK\$1.00.

(7) Basis of determining the subscription price

The subscription price under the 2002 Share Option Scheme shall be a price determined by the directors at its absolute discretion and shall be no less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and
- (iii) the nominal value of a share.

(8) The remaining life of the 2002 Share Option Scheme

The 2002 Share Option Scheme became effective on 30th April 2002 and, unless otherwise amended or altered, will remain in force for a period of ten years from that date.

STRIKE FOR THE SUMMIT

Report of the Directors

Share option scheme (continued)

Certain directors and chief executives of the Company have been granted options to subscribe for shares in the Company under the Company's share option schemes. Particulars and movements of share options outstanding during the year under the 1995 Share Option Scheme are as follows:

Name	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2004	Options exercised during the year	Balance outstanding as at 31st December 2004	Exercisable period
Directors						
Ms LAM Fung Fong	14th May 2001	0.5088	250,000	250,000	–	14th May 2002 to 14th May 2005
	14th May 2001	0.5088	250,000	250,000	–	14th May 2003 to 14th May 2006
Mr KWOK Ying Lung ¹	17th February 2000	0.71	150,000	150,000	–	17th February 2001 to 17th February 2004
	17th February 2000	0.71	150,000	150,000	–	17th February 2002 to 17th February 2005
Ms IP Kit Yee, Kitty ²	14th May 2001	0.5088	250,000	250,000	–	14th May 2002 to 14th May 2005
	14th May 2001	0.5088	250,000	250,000	–	14th May 2003 to 14th May 2006
Total for directors			<u>1,300,000</u>	<u>1,300,000</u>	<u>–</u>	

Notes:

1. The relevant director was appointed as an Executive Director of the Company on 24th September 2004.
2. The relevant director resigned as an Executive Director of the Company on 24th September 2004.
3. No Share option lapsed during the year.
4. The weighted average closing price of the shares immediately before the dates on which the options were exercised is HK\$3.125.

The power of grant of options to executive directors is vested in the Remuneration Committee and otherwise pursuant to Listing Rules requirements.

Interests of other persons discloseable under the SFO

As at 31st December 2004, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executive of the Company, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Number of shares	Capacity	Percentage of shareholding
Sunluck Services Limited	117,104,000	Beneficial owner	16.62% (note (a))
Southern Field Trading Limited	117,104,000	Corporation	16.62% (note (a))
Universities Superannuation Scheme Limited	37,950,000	Trustee	5.39%
J.P. Morgan Chase & Co.	46,078,982 3,200,000	Lending pool Investment manager	7.00%

Notes:

(a) These shares represent the same block of shares. Sunluck Services Limited is a wholly owned subsidiary of Southern Field Trading Limited which interest duplicates those of Mr WONG Kin Yip, Freddie in the Company.

All the interests disclosed above (save and except those 46,078,982 shares held by J.P. Morgan Chase & Co. in a lending pool) represent long position in the shares of the Company.

Subsequent events

Details of the subsequent events of the Company are set out in note 30 to the accounts.

Report of the Directors

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.

Major customers and suppliers

During the year, the Group purchased less than 30% of its services from its 5 largest suppliers. Sales to the five largest customers accounted less than 30% of the total sales for the year.

Retirement scheme

Details of the Company's retirement scheme are set out in note 10 to the accounts.

Principal subsidiaries and jointly controlled entities

Details of the Company's principal subsidiaries and jointly controlled entities at 31st December 2004 are set out in note 32 to the accounts.

Bank loans, overdrafts and other borrowings

An analysis of bank loans and overdrafts at 31st December 2004 is set out in note 23 to the accounts. Apart from the above, the Group has no other borrowings at 31st December 2004.

Emolument Policy

The emoluments of the directors of the Company are determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs, the Company's performance and the Company's remuneration policy.

Statement of Corporate Governance Policy

The Board is strongly committed to enhancing corporate governance. The Board aims to continually review and enhance corporate governance practices of the Group.

As part of that commitment, three independent non-executive directors have been appointed during the year. In addition, two new independent committees known as Remuneration Committee and Nomination Committee have been set up to monitor the Group's development in respective area.

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules on the Stock Exchange, save and except that the predecessor independent non-executive directors were not appointed for a specific term of office but were subject to retirement by rotation and re-election at each annual general meeting in accordance with by-law 87(1) and 87(2) of the Company's Bye-laws.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed they had complied with the required standard set out in the Model Code.

Board Effectiveness and Board/ Management Relationship

The principal function of the Board is to formulate strategy and to monitor and control operating and financial performance in pursuit of Group strategic objectives. The Board's role is not to manage the business which responsibility remains vested with management. The Board is responsible for overseeing the processes that management has in place to identify business opportunities and risks.

Specialised Committees of the Board

Three specialised committees have been set up under the Board, each with particularly defined terms of reference to monitor specific areas of the Company's business.

Audit Committee

Established in 1998 in line with the best practices in corporate governance with its terms of reference prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the HKICPA, the Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. The principal duties of the Committee include the review and supervision of the Company's financial reporting process and internal controls. The Committee comprises three independent non-executive directors, namely Mr Koo Fook Sun, Louis, Mr Sun Tak Chiu and Mr Wang Ching Miao, Wilson.

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with the management the internal control, auditing and financial reporting matters in respect of this annual report including review of the audited accounts of the Group for the year ended 31st December 2004.

Remuneration Committee

The Remuneration Committee of the Group has been established on 10th March 2005. The function of the Committee is to consider and recommend to the Board the Group's remuneration policy and structure and to review and determine the remuneration of the executive directors and senior management.

The Committee comprises three independent non-executive directors, namely Mr Koo Fook Sun, Louis, Mr Sun Tak Chiu and Mr Wang Ching Miao, Wilson, and two executive directors namely Mr Wong Kin Yip, Freddie and Ms Lam Fung Fong.

Nomination Committee

The Nomination Committee of the Group has been established on 10th March 2005. The function of the Committee is to, having regard to the independence and quality of nominees, make recommendations to the Board so as to ensure that all nominations are fair and transparent.

The Committee comprises three independent non-executive directors, namely Mr Koo Fook Sun, Louis, Mr Sun Tak Chiu and Mr Wang Ching Miao, Wilson, and two executive directors namely Mr Wong Kin Yip, Freddie and Ms Lam Fung Fong.

Directors' interest in competing business

None of directors have an interest in any business constituting a competing business to the Group.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda.

Sufficiency of Public Float

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

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
WONG Kin Yip, Freddie
Chairman and Managing Director

Hong Kong, 10th March 2005