

## Report of the Directors

The directors have pleasure in submitting their report and audited accounts for the year ended 31 December 2004.

### PRINCIPAL ACTIVITIES

The principal activities of the Group are property development and investment, ferry and related businesses, travel business and hotel operation.

The analyses of the principal activities of the Company and its subsidiaries during the financial year are set out in note 2 on the accounts.

### MAJOR CUSTOMERS AND SUPPLIERS

No analysis in respect of the Group's major customers and suppliers is shown as the respective percentages of turnover and purchase attributable to the Group's five largest customers and suppliers are less than 30%.

### SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2004 are set out in note 13 on the accounts.

### ACCOUNTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2004, the state of affairs of the Company and of the Group at that date and the related notes are set out in the accounts on pages 25 to 76.

An interim dividend of 9 cents per share was paid on 21 October 2004. The directors now recommend a final dividend of 24 cents per share to shareholders whose names appear in the Register of Members on 28 April 2005.

### CHARITABLE DONATIONS

The Group's charitable donations during the year amounted to HK\$4,239 (2003: HK\$11,810).

### FIXED ASSETS

Movements in fixed assets during the year are set out in note 11 on the accounts.

## DIRECTORS

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

### Executive Directors

Mr. Lam Ko Yin, Colin (*Chairman*)

Mr. Li Ning

### Non-Executive Directors

Mr. Lau Yum Chuen, Eddie

Dr. Lee Shau Kee

Mr. Leung Hay Man

Mr. Wong Man Kong, Peter

### Independent Non-Executive Directors

Mr. Au Siu Kee, Alexander (appointed on 17 January 2005)

Mr. Ho Hau Chong, Norman

Mr. Kan Yuet Loong, Michael

Mr. Wu King Cheong (appointed on 17 January 2005)

Dr. Wu Shu Chih, Alex (passed away on 10 January 2005)

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Ho Hau Chong, Norman, Mr. Kan Yuet Loong, Michael and Mr. Lau Yum Chuen, Eddie retire by rotation and are eligible for re-election.

In accordance with Appendix 14 of the Listing Rules, the Non-Executive Directors (including Independent Non-Executive Directors) have been appointed for a specific term until 31 December 2007 and they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Articles of Association.

In accordance with Article 94 of the Company's Articles of Association, Mr. Au Siu Kee, Alexander and Mr. Wu King Cheong, who were appointed on 17 January 2005 as additional directors of the Company, shall hold office until the forthcoming Annual General Meeting and are eligible for re-election.

## Report of the Directors *(Continued)*

### DISCLOSURE OF INTERESTS

#### Directors' Interests in Securities

At 31 December 2004, the interests of the directors in securities of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' and chief executives' interests and short positions maintained under section 352 of the SFO were as follows:

#### Interests

	THE COMPANY		
	Personal Interests <i>Number of Shares</i>	Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>
Mr. Lam Ko Yin, Colin	150,000	–	–
Mr. Ho Hau Chong, Norman	3,313,950	–	–
Mr. Kan Yuet Loong, Michael	22,965	–	–
Mr. Lau Yum Chuen, Eddie	–	–	–
Dr. Lee Chau Kee	7,799,220	111,636,090 <i>(Note 5 on page 21)</i>	–
Mr. Leung Hay Man	2,250	–	–
Mr. Li Ning	–	–	111,636,090 <i>(Note 6 on page 21)</i>
Mr. Wong Man Kong, Peter	1,051,000	–	–
Dr. Wu Shu Chih, Alex <i>(passed away on 10 January 2005)</i>	186,030	–	–
		2OK COMPANY LIMITED	
		Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>
Dr. Lee Chau Kee <i>(Note 1)</i>		5	–
Mr. Li Ning <i>(Note 2)</i>		–	5

## Report of the Directors *(Continued)*

### Notes:

1. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owns the remaining 50% interest) are beneficially owned by wholly-owned subsidiaries of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") beneficially owns more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts hold units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owns all the issued ordinary shares which carry the voting rights in the share capital of HD. Dr. Lee Chau Kee beneficially owns all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Chau Kee is taken to be interested in these 5 shares in 2OK Company Limited.
2. By virtue of the SFO, Mr. Li Ning is taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse is one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Other than as stated above, no directors or chief executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2004.

### INTEREST IN CONTRACTS

Except for the "Connected Transactions" as disclosed in this Report, no other contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

## Report of the Directors *(Continued)*

### SUBSTANTIAL SHAREHOLDERS AND OTHERS

At 31 December 2004, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under section 336 of the SFO were as follows:

	<b>No. of shares in which interested</b>
<b>Substantial Shareholders</b>	
Henderson Investment Limited <i>(Note 1)</i>	111,636,090
Pataca Enterprises Limited <i>(Note 1)</i>	70,200,000
Wiselin Investment Limited <i>(Note 2)</i>	41,436,090
Max-mercan Investment Limited <i>(Note 2)</i>	41,436,090
Henderson Development Limited <i>(Note 3)</i>	111,636,090
Henderson Land Development Company Limited <i>(Note 3)</i>	111,636,090
Kingslee S.A. <i>(Note 3)</i>	111,636,090
Hopkins (Cayman) Limited <i>(Note 4)</i>	111,636,090
Rimmer (Cayman) Limited <i>(Note 4)</i>	111,636,090
Riddick (Cayman) Limited <i>(Note 4)</i>	111,636,090
Dr. Lee Shau Kee <i>(Note 5)</i>	119,435,310
Mr. Li Ning <i>(Note 6)</i>	111,636,090
<b>Persons other than Substantial Shareholders</b>	
Graf Investment Limited <i>(Note 1)</i>	23,400,000
Mount Sherpa Limited <i>(Note 1)</i>	23,400,000
Paillard Investment Limited <i>(Note 1)</i>	23,400,000

## Report of the Directors *(Continued)*

### Notes:

All shares referred to below, unless otherwise stated, form part of the same parcel of 111,636,090 shares.

1. These 111,636,090 shares are beneficially owned by some of the subsidiaries of Henderson Investment Limited ("HI"). Of these 111,636,090 shares, 70,200,000 shares are owned by some of the subsidiaries (viz., Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, each of which owns 23,400,000 shares) of Pataca Enterprises Limited, which is itself a subsidiary of HI.
2. These 41,436,090 shares held by Wiselin Investment Limited and in which Max-mercan Investment Limited is taken to be interested refer to the same lot of shares. Wiselin Investment Limited, a subsidiary of Max-mercan Investment Limited which is a subsidiary of HI, beneficially owns 41,436,090 shares all of which constitute part of the said 111,636,090 shares.
3. These 111,636,090 shares are duplicated in the interests described in Notes 1 and 2. Henderson Development Limited ("HD") beneficially owns more than one-third of the issued share capital in Henderson Land Development Company Limited which is, in turn, the holding company of Kingslee S.A.. Kingslee S.A. has a controlling interest in HI.
4. These 111,636,090 shares are duplicated in the interests described in Notes 1, 2 and 3. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts hold units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owns all the issued ordinary shares, which carry the voting rights in the share capital of HD.
5. Dr. Lee Shau Kee beneficially owns all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee is taken to be interested in 111,636,090 shares, which are duplicated in the interests described in Notes 1, 2, 3 and 4.
6. By virtue of the SFO, Mr. Li Ning is taken to be interested in these 111,636,090 shares as Mr. Li's spouse is one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 111,636,090 shares are duplicated in the interests described in Notes 1, 2, 3 and 4.

Save as disclosed above, each of the aforesaid shareholders does not have any interest or short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares of the Company that are discloseable under the requirement of the SFO.

### RESERVES

Movements in reserves of the Company and of the Group during the year are set out in note 24 on the accounts.

## Report of the Directors *(Continued)*

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES**

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, options, debentures or warrants of the Company or any other body corporate.

### **BANK OVERDRAFT**

Particulars of bank overdraft of the Group as at 31 December 2004 are set out in note 20 on the accounts.

### **FINANCIAL SUMMARIES**

The five years' summary of assets and liabilities and ten years' financial summary of the Group are set out on pages 77 to 79.

### **GROUP PROPERTIES**

A summary of the Group's properties is set out on pages 80 to 81.

### **RETIREMENT SCHEMES**

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement schemes are set out in note 16 on the accounts.

### **CONNECTED TRANSACTIONS**

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 28 on the accounts.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2004 with the provisions as set out in Appendix 14 to the Listing Rules, except that the Independent Non-Executive Directors have not been appointed for specific terms and are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Articles of Association.

In accordance with the revised Listing Rules for the purpose of implementing the Code on Corporate Governance Practice, the appointments of all Non-Executive Directors (including Independent Non-Executive Directors) have been fixed for a specific term until 31 December 2007.

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors (the "Code"). Having made specific enquiry, the Company confirmed that all directors had complied with the required standard as set out in the Code.

### AUDIT COMMITTEE

The audit committee comprises the four Independent Non-Executive Directors and reports to the board of directors. The audit committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group. Audit committee meetings were held twice during the financial year.

### PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

### AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

**Colin K.Y. Lam**  
*Chairman*

**Li Ning**  
*Director*

Hong Kong, 11 March 2005