

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited statement of accounts for the year ended 31 December 2004.

Principal Activities

The principal activities of the Company are property development and investment and the holding of investments. The principal activities and particulars of its principal subsidiaries are set out in note 28(a) on the accounts.

Group Profit

The profit of the Group 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 accounts on pages 19 to 61.

Dividends

An interim dividend of 7 HK cents per share (2003: 6 HK cents per share) was paid on 29 October 2004. The Directors now recommend that a final dividend of 25 HK cents per share (2003: 22 HK cents per share) be paid in respect of the year ended 31 December 2004.

Share Capital

During the year, 83,000,000 new shares were issued at HK\$6.85 per share. Particulars of movements in share capital and premium thereon during the year are set out in notes 22 and 23 on the accounts.

Purchase, Sale or Redemption of the Company's Listed Shares

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

Reserves

Movements in reserves during the year are set out in note 23 on the accounts.

Fixed Assets

Movements in fixed assets during the year are set out in note 10 on the accounts.

Bank Loans and other Borrowings

Particulars of bank loans and other borrowings of the Company and of the Group as at 31 December 2004 are set out in notes 13, 20 and 21 on the accounts.

Finance Costs Capitalized

The amount of finance costs capitalized by the Group during the year is set out in note 3(a) on the accounts.

Donations

Charitable donations made by the Group during the year amounted to HK\$340,900 (2003: HK\$40,400).

Properties

Particulars of properties of the Group are shown on pages 63 to 65 of the annual report.

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 pages 2 to 3 of the annual report.

Directors

The Directors of the Company during the year and up to the date of this report are as follows and their brief biographical details are set out on pages 10 to 12 of the annual report:

Mr Or Wai Sheun, *Chairman*

Mr Keith Alan Holman, *Deputy Chairman*

Ms Ng Chi Man, *Executive Director*

Mr Lai Ka Fai, *Executive Director*

Mr Tam Hee Chung, *Non-executive Director*

Mr Yeung Kwok Kwong, *Non-executive Director*

Mr Chau Cham Son, *Independent Non-executive Director*

Mr Li Kwok Sing, *Aubrey, Independent Non-executive Director*

Mr Lok Kung Chin, *Hardy, Independent Non-executive Director*

Mr Seto Gin Chung, *John, Independent Non-executive Director*

In accordance with article 105 of the Articles of Association of the Company, Mr Lai Ka Fai, Mr Tam Hee Chung and Mr Yeung Kwok Kwong will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to the new independence guidelines under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Company still considers such Directors to be independent.

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 4(a) on the accounts.

Report of the Directors

Directors' Interests and Short Positions

As at 31 December 2004, the following Directors of the Company were interested, or deemed to be interested in, the following long and short positions in the shares of the Company as recorded in the register required to be kept under Part XV (s.352) of the Securities and Futures Ordinance ("SFO"):

Name of Director	Shares of HK\$0.10 each in the capital of the Company			Note
	Long position	Short position	Percentage of total issued share	
Or Wai Sheun	353,023,083	—	62.29%	1
Ng Chi Man	352,838,083	—	62.25%	2
Tam Hee Chung	750,000	—	0.13%	3
Lai Ka Fai	239,000	—	0.04%	4
Lok Kung Chin, Hardy	200,000	—	0.04%	5
Keith Alan Holman	130,000	—	0.02%	4
Yeung Kwok Kwong	100,000	—	0.02%	4

Notes:

1. Mr Or Wai Sheun was deemed to be interested in 352,838,083 shares ultimately wholly-owned by a discretionary family trust of which Mr Or Wai Sheun is the founder and a beneficiary. These shares were the shares disclosed under the section of Ms Ng Chi Man in the above table and in the Note of the section on "Interests of Substantial Shareholders and Other Persons".

Mr Or Wai Sheun was deemed to be interested in 185,000 shares owned by China Dragon Limited due to his corporate interest therein.
2. Ms Ng Chi Man is the spouse of Mr Or Wai Sheun. Ms Ng was deemed to be interested in 352,838,083 shares as a beneficiary of the discretionary family trust referred to in Note 1 above.
3. Mr Tam Hee Chung was the beneficial owner of 250,000 shares and was deemed to be interested in 500,000 shares owned by Larry H.C. Tam & Associates Limited by virtue of his 48% interest therein.
4. Shares were held by the respective Directors in their capacity as beneficial owner.
5. Mr Lok Kung Chin, Hardy was taken to be interested in 200,000 shares owned by a discretionary trust of which Mr Lok is the founder.

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director of the Company or their respective associates 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 were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors (including their spouses and children under the age of 18) had, as at 31 December 2004, any interest in, or had been granted any right to subscribe for the shares and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

Directors' Interests in Contracts and Connected Transactions

On 7 January 2004, Future Star International Limited ("Future Star"), a wholly-owned subsidiary of the Company, and Polytec Holdings International Limited ("Polytec Holdings") entered into an agreement ("Agreement") pursuant to which Future Star agreed to conditionally acquire from Polytec Holdings the entire issued share capital of and shareholder's loan due by Top Milestone Developments Limited ("Top Milestone"), a wholly-owned subsidiary of Polytec Holdings, to Polytec Holdings ("Acquisition") at an aggregate consideration of HK\$400 million.

Top Milestone had entered into a co-investment agreement ("Co-Investment Agreement") with Polytex Corporation Limited ("Polytex"), a wholly-owned subsidiary of Polytec Holdings on 11 November 2003, whereby Top Milestone agreed to provide financing to Polytex in the development of a property project in Macau.

As Polytec Holdings is the controlling shareholder of the Company, the Acquisition and the provision of loans by Top Milestone to Polytex pursuant to the Co-Investment Agreement after completion of the Acquisition constitute a connected transaction for the Company under Rule 14.26 and 14.25(2) of the Listing Rules (before amendments effective 31 March 2004) respectively. A loan agreement dated 24 February 2004 was entered into between the Company as borrower and Polytec Holdings as lender in relation to the provision of a loan in the sum of HK\$400 million to the Company upon normal commercial terms to assist the completion of the Acquisition. The signing of the said loan agreement is a connected transaction exempted by virtue of Rule 14.24(8) of the Listing Rules (before amendments effective 31 March 2004). Polytec Holdings is ultimately wholly-owned by a family trust the beneficiary objects of which include Mr Or Wai Sheun, the Chairman of the Company, Ms Ng Chi Man, an Executive Director, and their family members. The Acquisition as detailed in a circular issued by the Company on 30 January 2004 was approved by independent shareholders on 16 February 2004 and completed on 24 February 2004.

Save as disclosed above and under the heading "Material Related Party Transactions" as set out in note 30 to the accounts, no other contracts of significance to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest subsisted at any time during the year.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors are subject to retirement by rotation as required by article 105 of the Company's Articles of Association.

Interests of Substantial Shareholders and other Persons

As at 31 December 2004, the interests and short positions of persons, other than Directors, in the shares and underlying shares of the Company as recorded in the register required to be kept under Part XV (s.336) of the SFO were as follows:

Name of Shareholder	Shares of HK\$0.10 each in the capital of the Company		Percentage of total issued shares
	Long position	Short position	
HSBC International Trustee Limited	354,074,433	—	62.47%
The Or Family Trustee Limited Inc	352,838,083	—	62.25%

Note: Of the 354,074,433 shares in which HSBC International Trustee Limited was interested as trustee of certain discretionary trusts that it manages, 352,838,083 shares were the shares held by The Or Family Trustee Limited Inc. as trustee disclosed in the above table and referred to in Note 1 of the section on "Directors' Interests and Short Positions".

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to Eligible Persons who contribute to the success of the Group's operations. Eligible Persons include any employee, director, supplier, customer, business partner or business associate, trading agent, consultant or adviser, holder of any securities issued by any member of the Group or any entity in which the Group holds an equity interest ("Invested Entity") of any member of the Group or any Invested Entity who, in the discretion of the Board of Directors, has contributed or will contribute to the growth and development of the Group or any Invested Entity.

The Share Option Scheme was adopted by the Company on 21 May 2003 and complies with the requirements of Chapter 17 of the Listing Rules. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for a period of 10 years.

The total number of shares which may be issued pursuant to the Share Option Scheme is 48,376,785 shares, being 10% of the total number of shares of the Company in issue as at the date of approval of the Share Option Scheme. No option has been granted under the Share Option Scheme to any person since its adoption and the total number of shares available for issue remains at 48,376,785 representing 8.5% of the issued share capital of the Company at the date of this report.

Apart from the Share Option Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any other body corporate.

Retirement Schemes

Particulars of the retirement schemes operated by the Group are set out in note 29 on the accounts.

Corporate Governance

Audit Committee

The Audit Committee, comprising four Non-executive Directors a majority of whom are Independent Non-executive Directors, meets at least twice a year to review interim and final results of the Group prior to recommending them to the Board for approval and to discuss matters relating to the effectiveness of the Group's financial reporting process and internal controls. Senior representatives of the auditors and senior executives of the Company are invited to attend the meetings.

Compliance with the Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules (before amendments effective 1 January 2005), at any time during the year.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year under review and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

Auditors

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Or Wai Sheun

Chairman

Hong Kong, 30 March 2005