

The directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 24.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

## **SEGMENTAL INFORMATION**

An analysis of the Group's turnover and segmental information is set out in note 4 to the financial statements.

## **FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 54.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately HK\$27 million on plant and machinery to expand and upgrade its manufacturing facilities.

Details of this and other movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year are set out in note 21 to the financial statements.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 27 and in note 23 to the financial statements respectively.

## DIRECTORS

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

*Executive directors*

Thomas Lau, Luen-hung

Tsang Chiu Wai

Kong Cheuk Luen, Trevor

*Independent non-executive directors*

Lee Tho Siem

Wang Jianguo

Loke Yu alias Loke Hoi Lam (appointed on 12th July, 2004)

*Non-executive director*

Wong Wing Sing (redesignated from independent non-executive director to non-executive director on 1st September, 2004)

In accordance with Article 95 of the Company's Articles of Association, Mr. Loke Yu alias Loke Hoi Lam will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with Article 112 of the Company's Articles of Association, Messrs. Thomas Lau, Luen-hung and Kong Cheuk Luen, Trevor will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing 1st December, 2002 which shall continue thereafter until terminated by either party giving to the other party not less than six months prior written notice, such notice not to be given earlier than 1st December, 2003.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each of the independent non-executive directors and non-executive director is the period from his appointment to the time of retirement by rotation in accordance with the Company's Articles of Association.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st December, 2004, the interests of the directors and the chief executives and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained 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:

### Long positions

#### Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Thomas Lau, Luen-hung	Held by controlled corporation (Note i)	69,468,000	31.58%
Tsang Chiu Wai	Held by controlled corporation (Note ii)	62,292,000	28.31%
Kong Cheuk Luen, Trevor	Held by controlled corporation (Note iii)	31,716,000	14.42%
		163,476,000	74.31%

Notes:

- (i) These securities are registered in the name of and beneficially owned by Shine Top Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Shine Top Limited is beneficially owned by Mr. Thomas Lau, Luen-hung. Accordingly, Mr. Thomas Lau, Luen-hung is deemed to be interested in 69,468,000 shares held by Shine Top Limited under the SFO.
- (ii) These securities are registered in the name of and beneficially owned by Standard Beyond Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Standard Beyond Limited is beneficially owned by Mr. Tsang Chiu Wai. Accordingly, Mr. Tsang Chiu Wai is deemed to be interested in 62,292,000 shares held by Standard Beyond Limited under the SFO.
- (iii) These securities are registered in the name of and beneficially owned by Absolute Above Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Absolute Above Limited is beneficially owned by Mr. Kong Cheuk Luen, Trevor. Accordingly, Mr. Kong Cheuk Luen, Trevor is deemed to be interested in 31,716,000 shares held by Absolute Above Limited under the SFO.

Other than as disclosed above, none of the directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2004.

## SHARE OPTIONS

Particulars of the Company's share option scheme (the "Scheme") are set out in note 22 to the financial statements. No option was granted under the Scheme since its adoption.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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 the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

Other than as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES", the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31st December, 2004.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts 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, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## CONNECTED TRANSACTIONS

During the year, there were no discloseable connected transactions.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for approximately 45.0% of the turnover of the Group and the largest customer accounted for approximately 15.3% of the total turnover of the Group.

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 79.2% of the total purchases of the Group and the largest supplier accounted for approximately 35.2% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers and suppliers of the Group.

## 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, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## AUDIT COMMITTEE

An audit committee (the "Committee") has been established by the Company for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors and one non-executive director. The present members are Messrs. Lee Tho Siem, Wang Jianguo, Loke Yu alias Loke Hoi Lam and Wong Wing Sing. The Group's annual and interim reports for the year ended 31st December, 2004 as well as the accounting principles and practices have been reviewed by the Committee.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2004, with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except that the non-executive director and independent non-executive directors were not appointed for a fixed term but are subject to retirement and rotation in accordance with the Company's Articles of Association.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

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

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31st December, 2004.

## AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Thomas Lau, Luen-hung**

*Chairman*

Hong Kong, 8th April, 2005