

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and a jointly controlled entity are set out in notes 18 to 20 respectively to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 17.

No interim dividend was paid during the year and no final dividend was recommended by the directors.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$4.8 million on land and buildings in the People's Republic of China.

Details of this and other movements during the year in property, plant and equipment of the Group are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group disposed certain of its investment properties with an aggregate carrying value of HK\$150.3 million.

The remaining investment properties were revalued at 31st December, 2004. The net revaluation increase arising on the revaluation, which had been credited directly to the investment property revaluation reserve and consolidated income statement, amounting to HK\$1,950,000 and HK\$460,000 respectively.

Details of these and other movements during the year in investment properties of the Group are set out in note 15 to the financial statements.

PROPERTIES

Details of the properties held by the Group at 31st December, 2004 are set out on page 61.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

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

DIRECTORS

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

Executive Directors

Mr. Deacon Te Ken Chiu, *Chairman*
 Mr. Duncan Chiu, *Managing Director and Chief Executive Officer*
 Mr. Dennis Chiu

Non-executive Directors

Dato' David Chiu
 Mr. Daniel Tat Jung Chiu
 Mr. Derek Chiu
 Mr. Desmond Chiu
 Ms. Margaret Chiu

Independent Non-executive Directors

Mr. Chi Man Ma	
Dr. Lee G Lam	(appointed on 30th September, 2004)
Mr. Ryan Yen Hwung Fong	(appointed on 30th September, 2004)
Mr. Siu Hong Chow	(resigned on 30th September, 2004)

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In accordance with Articles 76, 79 and 80 of the Company's Articles of Association, one-third of the Directors except Mr. Duncan Chiu shall retire from office, and being eligible, offer themselves for re-election. Mr. Duncan Chiu remains in office.

The term of office for each non-executive director is the period up to his or her annual retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and Senior Management of the Group are set out on pages 4 to 6 of the annual report.

DIRECTORS' REPORT**DIRECTORS' INTERESTS IN SHARES**

At 31st December, 2004, the interests of the Directors and their associates in the shares of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 ordinary shares of the Company held				%
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Deacon Te Ken Chiu	7,548,000	6,110,000 (Note i)	6,228,600	19,886,600	6.00%
Dato' David Chiu	–	–	28,040,000 (Note ii)	28,040,000	8.45%
Ms. Margaret Chiu	5,000,000	–	–	5,000,000	1.51%
Mr. Dennis Chiu	25,110,200	–	30,400,000 (Note iii)	55,510,200	16.74%
Mr. Daniel Tat Jung Chiu	11,000,000	–	72,400,200 (Note iv)	83,400,200	25.15%
Mr. Derek Chiu	201,000	–	–	201,000	0.06%
Mr. Desmond Chiu	5,000,000	–	–	5,000,000	1.51%
Mr. Duncan Chiu	30,642,211	–	–	30,642,211	9.24%

Notes:

- (i) The shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
- (ii) The shares are held by Rocket High Investments Limited, a company wholly-owned by Dato' David Chiu.
- (iii) The shares are held by Cape York Investments Limited ("Cape York"), a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.
- (iv) Of the 72,400,200 shares, 30,400,000 shares are held by Cape York and the remaining 42,000,200 shares are held by Gorich Holdings Limited, a company wholly-owned by Mr. Daniel Tat Jung Chiu.

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

ARRANGEMENT 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the heading "Connected transactions" below, 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.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CONNECTED TRANSACTIONS

- (a) On 22nd December, 2003, the Group entered into conditional sale and purchase agreements, pursuant to which, inter alia, the Company and Mr. Dennis Tat Shing Chiu agreed to dispose of their entire interests in Tang City Properties Pte. Ltd. ("TCP") to a wholly-owned subsidiary of Far East Consortium International Limited ("FEC") at a consideration of S\$1, and FEC agreed to procure the refinancing of the bank loan facility of S\$25 million obtained by TCP and to take over the net external trade and non-trade creditors of TCP of S\$1.1 million. TCP and its subsidiaries were incorporated in Singapore and held all of the Group's investment properties in Singapore. The transaction was completed in February 2004. Details of the transaction are set out in a circular of the Company dated 16th January, 2004.
- (b) In April 2004, the Company disposed of its entire equity interest in Laichi Kok Amusement (Haimen) Company Limited, a wholly-owned subsidiary registered in the People's Republic of China, to Mr. Deacon Te Ken Chiu at a consideration of HK\$8.8 million which was satisfied by partially offsetting an amount owing by the Company to Mr. Deacon Te Ken Chiu. Details of the transaction are set out in a circular of the Company dated 28th May, 2004.
- (c) On 19th November, 2004, the Company disposed of its entire 95% equity interest in Tang Dynasty City Pte. Ltd. ("TDC"), a company incorporated in Singapore, to Mr. Deacon Te Ken Chiu, at a consideration of HK\$1.

On the same date, the Company disposed of its entire 100% equity interest in RFC Far East Limited ("RFC Far East"), a company incorporated in the British Virgin Islands and operated in Singapore, to Mr. Dennis Tat Shing Chiu, at a consideration of US\$1.

In view of the net liabilities position of TDC and RFC Far East, the Board including the Independent Non-executive Directors considered the terms to be fair and reasonable and was in the interests of the Group and its shareholders.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' interests in shares", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares held	%
Gorich Holdings Limited ("Gorich") (Note 1)	42,000,200	12.66
Cape York Investments Limited ("Cape York") (Note 2)	30,400,000	9.17
Rocket High Investments Limited ("Rocket") (Note 3)	28,040,000	8.45
Virtual Dragon International Limited ("Virtual Dragon") (Note 4)	25,508,000	7.69
Tricom Cyberworld Holdings Limited	19,282,000	5.81

Notes:

1. Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu. The interest of Mr. Daniel Tat Jung Chiu in the Company is stated under the section headed "Directors' interests in shares" above.
2. The interests of Mr. Daniel Tat Jung Chiu and Mr. Dennis Chiu in the Company are stated under the section headed "Directors' interests in shares" above.
3. Rocket is wholly-owned by Mr. David Chiu. The interest of Mr. David Chiu in the Company is stated in the section headed "Directors' interests in share" above.
4. The shares are held by Peace View Company Limited ("Peace View"), a wholly owned subsidiary of Far East Consortium Limited ("FEC"). On 28th March 2001, FEC had entered into a Sale of Shares Agreement with Virtual Dragon International Limited ("Virtual Dragon") to dispose of its entire equity interests in Peace View to Virtual Dragon.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital at 31st December, 2004.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales of the Group's five largest and the top largest customers accounted for approximately 67% and 39% of total turnover, respectively.

Aggregate purchases of the Group's five largest and the top largest suppliers accounted for approximately 23% and 6% of total purchases, respectively.

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 Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

EMPLOYEES

The total number of employees of the Group at 31st December, 2004 was approximately 600. Employees are remunerated according to nature of the job and market conditions. The Group has not adopted any share option scheme or share trading scheme for the employees during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the Independent Non-executive Directors are not appointed for a specific term.

AUDIT COMMITTEE

The Company's audit committee comprising Independent Non-executive Directors and Non-executive Director.

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

POST BALANCE SHEET EVENT

Details of significant post balance sheet event are set out in note 40 to the financial statements.

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

Duncan Chiu

Managing Director and Chief Executive Officer

Hong Kong, 18th April, 2005

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