

The directors herein present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries comprise the trading and manufacturing of plastic and chemical products, distribution and installation of building supplies, electrical and mechanical products, wholesaling of electrical appliances, engineering contracting business in the air-conditioning industry and the provision of maintenance services, property and investment holding. Details of the principal subsidiaries and their activities are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 70.

The directors do not recommend the payment of any dividend in respect of the year (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

Total interest-bearing debts of the Group as at 31 December 2004 amounted to HK\$233 million (2003: HK\$172 million), of which HK\$190 million (2003: HK\$132 million) related to trust receipt loans. The debts were predominately due and repayable within one year. Current ratio of the Group, as measured by total current assets over total current liabilities, was 1.25.

Total cash on hand as at 31 December 2004 was HK\$63 million (2003: HK\$42 million). The Group had a total of HK\$73 million committed but undrawn banking facilities at year-end available for its working capital purpose.

The gearing ratio of the Group, as measured by the net interest-bearing debts of HK\$170 million over the shareholders' funds of HK\$152 million was 112% as at 31 December 2004.

Use of placement proceeds

On 3 March 2004, Multi-Investment Group Limited ("MIG") entered into a placing agreement to place 468,000,000 existing shares of the Company at a price of HK\$0.02 each to independent third parties. Concurrently, MIG entered into a subscription agreement with the Company to subscribe for 660,000,000 new shares of the Company also at the price of HK\$0.02 each. MIG is a substantial shareholder of the Company interested in approximately 29.1% of the Company's issued share capital pre and post the top-up placement.

The net proceeds of HK\$13 million, generated from completion of the top-up placement in March 2004, have been fully applied for general working capital of the Group as originally intended.

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong Dollars and bear interest at floating rates. Forward contracts of non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group.

Pledge of assets

Certain properties, having an aggregate book value of HK\$24 million as at 31 December 2004, were pledged to secure the borrowings of the Group.

Contingent liabilities

On 26 August 2003, the Group disposed its carpark assets and a villa in Shenzhen, the PRC to Careful Action Limited ("CAL"). The Company was contingently liable to pay HK\$3,100,000 plus accrued interest to CAL, in case the real estate ownership certificate for the villa failed to be obtained latest by 22 October 2005, being the date which is two years from the completion of the agreement.

The Group had no other significant contingent liability at the balance sheet date.

Employees and remuneration policies

The Group employed approximately 290 staff in Hong Kong and other parts of the PRC as at 31 December 2004. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

Business and operations review

A detailed review of the Group's business operations and outlook is included in the Chairman's Statement.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

Results

	Year ended 31 December				
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
TURNOVER	<u>1,073,103</u>	<u>852,722</u>	<u>828,252</u>	<u>687,671</u>	<u>614,189</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>12,720</u>	<u>(27,818)</u>	<u>(58,885)</u>	<u>(129,458)</u>	<u>(22,414)</u>

Assets, liabilities and minority interests

	As at 31 December				
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
TOTAL ASSETS	519,166	428,201	436,346	482,892	592,568
TOTAL LIABILITIES	(364,893)	(301,575)	(298,671)	(299,361)	(292,291)
MINORITY INTERESTS	<u>(1,912)</u>	<u>(1,692)</u>	<u>(1,274)</u>	<u>(1,797)</u>	<u>(1,503)</u>
NET ASSETS	<u>152,361</u>	<u>124,934</u>	<u>136,401</u>	<u>181,734</u>	<u>298,774</u>

The information set out above does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 32 and 33 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's share premium account, in the amount of HK\$568,986,000, may be distributed in the form of fully paid bonus shares. Other than the share premium account, the Company did not have any reserves available for distribution to shareholders as at 31 December 2004.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers accounted for 35% of the total purchases for the year and the largest supplier included therein amounted to 11%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors, their associates or any shareholders, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

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

Executive directors:

James Sai-Wing Wong (*Chairman*)

Stephen Sek-Kee Yu

Frank Kwok-Kit Chu

Peter Chi-Chung Luk

Non-executive directors:

Herman Man-Hei Fung

Kenneth Kin-Hing Lam (resigned on 26 March 2004)

Independent non-executive directors:

William Gage McAfee

David Chung-Shing Wu

Vincent Tian-Quan Mo

Aubrey Kwok-Sing Li (retired on 3 June 2004)

In accordance with the Company's Bye-law 87, Messrs. Herman Man-Hei Fung and William Gage McAfee will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHIES OF DIRECTORS

Biographical details of the directors of the Company are set out on pages 7 to 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director has a service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 36 to the financial statements, none of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2004, the interests and short positions of the directors in the shares, underlying shares and debentures 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 required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of directors	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
James Sai-Wing Wong	–	–	1,153,957,982	1,153,957,982	29.10%
			(Note)		
Frank Kwok-Kit Chu	1,206,000	1,196,000	–	2,402,000	0.07%
Peter Chi-Chung Luk	–	320,000	–	320,000	0.01%

Note: These shares are held by Multi-Investment Group Limited, a company in which Mr. James Sai-Wing Wong is a director and has a beneficial interest.

The interests of the directors in the share options of the Company are separately disclosed under the share option scheme disclosure in note 33 to the financial statements.

Save as disclosed above and in the share option scheme disclosure in note 33 to the financial statements, as at 31 December 2004, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosure in note 33 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 33 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2004, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of shareholding in the Company's issued share capital
James Sai-Wing Wong	1	Interest through a controlled corporation	1,153,957,982	29.10%
Madeline May-Lung Wong	1	Interest through a controlled corporation	1,153,957,982	29.10%
Lucky Year Finance Limited	1	Interest through a controlled corporation	1,153,957,982	29.10%
Chinney Holdings Limited	1	Interest through a controlled corporation	1,153,957,982	29.10%
Chinney Investments, Limited	1	Interest through a controlled corporation	1,153,957,982	29.10%
Newsworthy Resources Limited	1	Interest through a controlled corporation	1,153,957,982	29.10%
Multi-Investment Group Limited	1	Beneficial owner	1,153,957,982	29.10%
Sumitomo Mitsui Banking Corporation	2	Beneficial owner	319,800,000	8.06%
Credit Suisse First Boston International	2	Beneficial owner	319,800,000	8.06%
Dresdner Kleinwort Wasserstein Limited	2	Beneficial owner	319,800,000	8.06%
Krung Thai Bank Public Company Limited	2	Beneficial owner	319,800,000	8.06%
PT. Bank Mandiri (Persero)	2	Beneficial owner	319,800,000	8.06%
PT NISP Sekuritas	2	Beneficial owner	319,800,000	8.06%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Notes:

- (1) Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Limited, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 1,153,957,982 shares by virtue of Section 316 of the SFO.
- (2) These shares are registered in the name of an agent bank on behalf of six banks that comprise a syndicate of lenders to a shareholder of the Company (the "Syndicate"). The Syndicate's interest in the relevant shares was acquired as a result of security given by the shareholder over such shares in respect of a loan advanced to the shareholder by the Syndicate. Such interest became discloseable upon the Syndicate becoming entitled to exercise the power of sale and voting rights in respect of the interest in the shares as a result of a default by the shareholder. Accordingly, Sumitomo Mitsui Banking Corporation, Credit Suisse First Boston International, Dresdner Kleinwort Wasserstein Limited, Krung Thai Bank Public Company Limited, PT. Bank Mandiri (Persero) and PT NISP Sekuritas are each deemed to have a security interest in the relevant shares.

No share options of the Company were held by the above shareholders as at 31 December 2004.

Save as disclosed above, as at 31 December 2004, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

POST BALANCE SHEET EVENT

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

CORPORATE GOVERNANCE

Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal controls. The audit committee has reviewed with management and the external auditors the final results of the Group for the year ended 31 December 2004.

In the opinion of the directors, the Company complied throughout the year ended 31 December 2004 with the Code of Best Practice set out in Appendix 14 of the Listing Rules which was in force prior to 1 January 2005, except that the non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Peter Chi-Chung Luk
Director

Hong Kong, 13 April 2005