



Directors' Report

The Board of Directors submit their annual report together with the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries during the year are property investment, investment holding, investment in trading securities and provision of financial services. Effectively on 31 December 2003, subsidiaries engaged in the provision of brokerage and financial services became associates of the Group. Details of the principal activities and other particulars of the Company's subsidiaries and an associate are set out in notes 17 and 18 to the financial statements respectively.

RESULTS, DIVIDENDS AND BONUS ISSUE

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

The Board of Directors do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years/period is set out on page 72 and page 73 of the annual report.

INVESTMENT PROPERTIES AND FIXED ASSETS

Details of significant changes in the investment properties and fixed assets of the Group during the year are set out in notes 15 and 16 respectively to the financial statements.

Particulars of the major properties of the Group as at 31 December 2004 are set out on page 74 of the annual report.

BORROWINGS

Details of the bank and other borrowings of the Group and the Company are set out in note 21 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 24 to the financial statements. During the year, 24,573,467 of share options have been granted and exercised under the Company's share option scheme. At 31 December 2004, no share option is outstanding.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CONVERTIBLE SECURITIES, OPTIONS OR SIMILAR RIGHTS

Save as set out in notes 22, 24 and 25 to the financial statements, the Company or any of its subsidiaries has no outstanding convertible securities, options or similar rights as at 31 December 2004. There were exercise of convertible notes of HK\$5,040,000 at HK\$1.48 per share and exercise of convertible notes of HK\$2,000,000 at HK\$0.5 per share during the year.

DIRECTORS

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

Executive directors:

Chuang Yueheng, Henry
Chung, Wilson
Lo Kan Sun
Wong Ying Seung, Asiong

Executive directors:

Lau Da Yip (appointed on 15 April 2005)

Independent non-executive directors:

Lam Ping Cheung
Miu, Frank H. (appointed on 25 March 2004)
Nakajima Toshiharu (appointed on 4 January 2005)
Lin Wai Yi (appointed on 7 February 2005)
Ong, Peter (resigned on 7 February 2005)

In accordance with article 120 of the Company's articles of association, Messrs. Lo Kan Sun and Wong Ying Seung, Asiong retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with article 100 of the Company's articles of association, Mr. Nakajima Toshiharu, Ms. Lin Wai Yi and Mr. Lau Da Yip retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's articles of association.

The directors proposed for re-election at the forthcoming annual general meeting do not have service contracts which are not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The directors of the Company who held office at 31 December 2004 had the following interests in the shares of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the SFO:-

Interests in the Company

Name of director	Number of ordinary shares of HK\$0.1 each held		% of holding Ordinary shares
	Personal interests	Family interests	
Chuang Yueheng, Henry (Note)	—	270,861,892	19.78

Note: These shares were held by Radford Developments Limited which is controlled by a trust with the son of Mr. Chuang Yueheng, Henry, the Chairman of the Company, currently named as the beneficiary.

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age has any interest or short position in the shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as set out in note 24 to the financial statements regarding the Company's share option scheme, at no time during the year was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement 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. Since the adoption of the share option scheme, 24,573,467 options were granted and exercised during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Details of directors' interests in contracts are set out in note 34(c) to the financial statements. Saved as disclosed above, no other contract of significance to which the Company, its holding company or 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.

CONNECTED TRANSACTIONS

The following transactions occurred during the year:

- (a) A property of the Group with net book value of HK\$21,724,000 (2003: HK\$17,294,000) is occupied by a brother of a director of the Company free of rental. The director's brother is a director of certain companies within the HMI Group.
- (b) The Group has granted unsecured loans to certain related companies, a director of which is also a director of certain companies within the HMI Group and is a brother of a director of the Company. At the balance sheet date, the outstanding loans amounted to HK\$20,460,000 (2003: HK\$20,460,000) and carried interest at prime rate plus 3% per annum. Provision of HK\$20,460,000 (2003: HK\$20,460,000) had been made for non-repayment of the loans and related interest.
- (c) Details of the unsecured loans and securities margin loans granted by the Group and HMI Group to the executive directors of the Company are stated in note 34(c) to the financial statements.
- (d) During the year, the Group acquired certain trading securities from HMI Group at a total consideration of HK\$24,000,000. All the trading securities acquired were disposed of in the market during the year.
- (e) During the year, the Group paid placing commission of HK\$825,000 and financial advisory fee of HK\$400,000 to subsidiaries of the HMI Group.
- (f) At the balance sheet date, the Company has executed guarantees of HK\$75,000,000 for banking facilities granted to an associate which were utilised to the extent of HK\$31,589,000.
- (g) At the balance sheet date, a wholly-owned subsidiary of the Company holds HMI's convertible note amounting to HK\$120,300,000. Details of HMI's convertible note is stated in note 18(d)(ii) to the financial statements.

The directors confirm that the above transactions have been entered by the Group in the ordinary course of its business and are in accordance with the terms of the agreements governing such transactions.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interests in the Company's issued shares at 31 December 2004 amounting to 5% or more of the ordinary shares, warrants and convertible notes in issue:

Interests in the Company

	Number of ordinary shares of HK\$0.1 each held	% of holding Ordinary shares
Substantial shareholder		
Radford Developments Limited (Note 1)	270,861,892	19.78
Other person		
Heritage International Holdings Limited (Note 2)	134,750,163	9.84
Radford Capital Investment Limited (Note 2)	105,983,363	7.74
Chau Tuk Shun (Note 2)	72,822,000	5.32

Note 1: These shares were held by Radford Developments Limited which is controlled by a trust with the son of Mr. Chuang Yueheng, Henry, the Chairman of the Company, currently named as the beneficiary.

Note 2: Heritage International Holdings Limited (Stock code: 412), Radford Capital Investment Limited (Stock code: 901) and Chau Tuk Shun are public shareholders, with the meaning of the Listing Rules.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

RETIREMENT SCHEME

The Group provides a defined contribution retirement scheme under the Mandatory Provident Fund Scheme in Hong Kong to all staff. Under the Scheme, employer and employees are each required to make contributions to the scheme at 5% of the employees' relevant income.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2004, the aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively represented less than 30% of the Group's total turnover and purchases.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDIT COMMITTEE

The audit committee comprises four independent non-executive directors, with two additional independent non-executive directors being appointed after 31 December 2004. 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 Company.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the Articles of Association of the Company.

AUDITORS

During 2003 the auditors, Messrs. BDO International resigned and Messrs. Moores Rowland Mazars, Chartered Accountants, Certified Public Accountants, were appointed auditors of the Company.

A resolution will be submitted at the annual general meeting to re-appoint Messrs. Moores Rowland Mazars as auditors of the Company.

On behalf of the Board
Chuang Yueheng, Henry
Chairman

Hong Kong, 15 April 2005