



Report of the Directors

The Directors (the "Directors") of Wang Sing International Holdings Group Limited (the "Company") present their annual report and the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries and associate are set out in notes 37 and 17 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 33.

An interim dividend of HK1.2 cent per share amounting to HK\$4,743,000 was paid to the shareholders during the year.

The Directors now recommend the payment of a final dividend of HK1.3 cent per share to shareholders whose names appear on the register of members on 13 May 2005, amounting to HK\$4,870,000.

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 41% and 81% respectively of the Group's total turnover for the year.

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 share capital) have a beneficial interest in any of the Group's five largest customers during the year.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$11,971,000. Construction in progress of approximately HK\$5,347,000 was completed and transferred to the buildings, plant and machinery and computer equipment.

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



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SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Company and of the Group are set out in note 27 to the financial statements and page 37 of the annual report respectively.

DIRECTORS

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

Executive Directors:

Chen Wai Yuk (*Chairman*)
Wang Shu (*Managing Director*)
Chen Wai Wah

Independent Non-executive Directors:

Ho Hao Veng
Wei Tong Li
Hui Chuen Fan, Matthew (appointed on 27 September 2004)

In accordance with the provisions of the Company's Articles of Association, Mr. Hui Chuen Fan, Matthew and Mr. Wei Tong Li will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offers themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting of the Company 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.



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DIRECTORS' INTERESTS IN CONTRACTS

Other than those disclosed in note 36 to the financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

At 31 December 2004, the interests and short positions of the Directors, chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code of Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of Company
Chen Wai Yuk	Held by controlled Corporation	208,356,000 ^(a)	55.61%
Wang Shu	Held by spouse	208,356,000 ^(b)	55.61%

(a) These shares were held by Twinning Wealth Limited, the entire issued capital of which is beneficially owned by Chen Wai Yuk.

(b) Wang Shu is deemed to be interested in 208,356,000 shares of the Company, being the interests held beneficially by his spouse, Chen Wai Yuk.

Chen Wai Yuk beneficially owned one share of US\$1 in Twinning Wealth Limited, an associated corporation (within the meaning of the Section 352 of the SFO) of the Company, representing the entire issued shares in Twinning Wealth Limited.

Other than as disclosed above, none of the Directors 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 recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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SHARE OPTION SCHEME

The Company operates a share option scheme (“Share Option Scheme”) for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme include (i) any employee or proposed employee (whether full time or part time, including any Executive Director but not any Non-executive Director) of the Company, any of its subsidiaries or any entity (“Invested Entity”) in which any member of the Group holds any equity interest; (ii) any Non-executive Director or proposed Non-executive Director (including Independent Non-executive Director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier or potential supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer or potential customer of the Group or any Invested Entity; (v) any person or entity that provides or will provide research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; and (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development. The Share Option Scheme became effective on 26 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 11 April 2002.

As at the date of this annual report, the total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group is 33,600,000, representing 10% of the issued share capital of the Company as at the date of listing of the Company’s shares on the Stock Exchange. The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares as at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.



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SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

As at the date of this report, no share options have been offered and/or granted to any eligible participants under the Share Option Scheme.

Any options to be granted under the Share Option Scheme would not be recorded in the Company's or the Group's balance sheet until such time as the share options were exercised, and no charge would be recorded in the income statement or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued would be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares would be recorded by the Company in the share premium account. Share options which were cancelled prior to their exercise dates would be deleted from the register of outstanding shares options.

Information on the Share Option Scheme is also set out in note 34 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than in the section headed "Share Option Scheme" disclosed above, at no time during the year was the Company, its holding 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 body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or had exercised any such right.



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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

Other than disclosed above in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debenture" at 31 December 2004, the shareholder (other than Directors or chief executives of the Company) who had interests of 5% or more or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("the SFO") or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long Positions in the shares of the Company

Name of shareholder	Capacity	Number of shares beneficially held	Percentage of holding
Arisaig Greater China Fund Limited <i>(Note)</i>	Beneficial	39,212,000	10.47%

Note:

The above interests are beneficially owned by Arisaig Greater China Fund Limited. Arisaig Partners (Mauritius) Ltd is the investment manager of Arisaig Greater China Fund Limited and is thereby deemed to have an interest in the shares in which Arisaig Greater China Fund Limited is interested.

Lindsay William Ernest Cooper has only an indirect 33% beneficial interest in Arisaig Partners (Mauritius) Ltd but is thereby deemed to have interests in the shares in which Arisaig Partners (Mauritius) Ltd is interested.

Save as disclosed above, as at 31 December 2004, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 69.



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CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

To ensure objectivity and impartiality in the management of the Group, the Board comprises three Executive Directors and three Independent Non-executive Directors. The Board is responsible for the overall management of the Group's business but the day-to-day management is delegated to the three Executive Directors. Their roles are clearly segregated.

The Company has established an audit committee ("Audit Committee") under the Board. The Board considers the recommendations on matters relating to the nomination and appointment of Directors to be the Board's collective effort and the remuneration policy has already been determined by the Board and thus does not intend to set up a Nomination Committee or a Remuneration Committee.

The Company has also adopted the terms of the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code") and the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code") during the year. All Directors have confirmed that they have complied with the required standard set out in the Code.

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 Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent.

AUDIT COMMITTEE

The Audit Committee was established on 11 April 2002 with written terms of reference. The members of the Audit Committee comprise Mr. Ho Hao Veng, Mr. Wei Tong Li and Mr. Hui Chuen Fan, Matthew, all of them are Independent Non-executive Directors of the Company. They are specialists and experts in different fields such as investment, securities, financial and electronics. The Audit Committee assists the Board in providing an independent and objective review of the effectiveness of the financial reporting process, internal control and risk management system of the Group. It primarily aims to increase the Board's accountability, transparency and objectivity.

The Audit Committee has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the financial statements for the year.



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MANAGEMENT CONTRACTS

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or existed.

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, being the jurisdiction in which the Company was incorporated which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and a placing agent entered into a placing and underwriting agreement on 29 January 2004 for the placing of 58,000,000 placing shares at a placing price of HK\$1.37 per placing share to not less than six independent individuals or institutional investors. The net proceeds from the subscription were used for the expansion of the Group's production capacity and its general working capital requirements.

Up to 31 December 2004, the Company had purchased a total of 27,860,000 shares of the Company at an aggregate consideration of HK\$29,907,560 on the Stock Exchange and all of these shares were cancelled, detailed of which were as follows:

Method of Purchase	Month of Purchase	Number of Share Purchased	Highest	Lowest	Aggregate
			Price/Share HK\$	Price/Share HK\$	Consideration HK\$
On the Stock Exchange	April 2004	732,000	1.13	1.08	803,800
	May 2004	2,608,000	1.15	1.09	2,891,200
	June 2004	3,928,000	1.15	1.09	4,433,440
	July 2004	5,384,000	1.13	1.10	6,003,960
	August 2004	4,400,000	1.15	1.13	5,031,360
	September 2004	4,292,000	1.04	0.99	4,341,160
	October 2004	5,216,000	1.05	0.98	5,249,640
	November 2004	200,000	0.97	0.97	194,000
	December 2004	1,100,000	0.90	0.85	959,000
			<u>27,860,000</u>		

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in the net asset value per shares then in issue. Save as disclosed herein, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year.



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ADVANCES TO AN ENTITY

At 31 December 2004, the following balances with the associate, which, in aggregate, exceed 8% of the total assets of the Group, are disclosed pursuant to the disclosure requirements under the rules 13.13, 13.14 and 13.15 of the Listing Rules.

	Balance at 31 December 2004 HK\$'000
Trade receivables from an associate	31,071
Loan to an associate	18,808
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	49,879
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Percentage to the total assets value	12.15%

Notes:

- a. The above trade receivables from an associate were resulted from sales by a subsidiary of the Company in its ordinary course of business. The above trade receivables from an associate are unsecured and are in accordance with terms specified in the contracts governing the relevant transactions (such as delivery periods and payment periods, rights and obligations of the associate in respect of its performance under the contracts). No collateral is required to be made by the associate and no interest is charged on the trade receivables. The credit period of the trade receivables from an associate of the Group is 120 days.
- b. The following is an aged analysis of trade receivables from the associate at the balance sheet date:

	2004 HK\$'000
Within 30 days	9,089
Between 31 to 60 days	1,932
Between 61 to 90 days	20,050
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	31,071
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Save as disclosed above, at 31 December 2004, there was no other advance (including trade receivables and other receivables), which would give rise to a disclosure obligation pursuant to the rules 13.13, 13.14 and 13.15 of the Listing Rules.



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SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2004.

AUDITORS

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

On behalf of the Board

Chen Wai Yuk

Chairman

21 April 2005