

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 16 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

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 21 to 68.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and 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 on page 70. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 13 to the financial statements. Further details of the Group's investment properties are set out on page 69.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the issued shares and share options of the Company during the year, together with the reasons therefor, are set out in notes 27 and 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the laws of Bermuda, being the jurisdiction in which the Company is incorporated.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SHARE PREMIUM ACCOUNT AND RESERVES

Details of movements in the share premium account and reserves of the Company and the Group during the year are set out in notes 27 and 29 to the financial statements.



DISTRIBUTABLE RESERVES

At 31 December 2004, the Company has reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to HK\$43,374,000.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

	Year ended 31 December 2004
Customers	
Percentage of turnover attributable to the Group's five largest customers	<u>64.3</u>
Percentage of turnover attributable to the Group's largest customer	<u>45.2</u>
Suppliers	
Percentage of purchases attributable to the Group's five largest suppliers	<u>61.2</u>
Percentage of purchases attributable to the Group's largest supplier	<u>32.3</u>

None of the directors of the Company, or any of their associates or any shareholders, which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the customers and suppliers mentioned above.

DIRECTORS

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

Executive directors:

Ng Cheung Shing (*Chairman*)
Leung King San, Sunny
Ma Mok Hoi

Independent non-executive directors:

Ha Shu Tong
Lee Kwok On, Matthew, Ph.D.
Ting Leung Huel, Stephen (appointed on 9 August 2004)

In accordance with bye-laws 86(2) and 87 of the Company's bye-laws, Leung King San, Sunny and Ting Leung Huel, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation pursuant to the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors entered into a service contract with the Company since 1 April 1998. These service contracts will continue until termination by either party by serving to the other party a written notice of not less than three months prior to the effective date of termination. As of the date of this report, no termination notice by either party had been received.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No director had a significant beneficial interest, whether 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 IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, the interests of the directors in the share capital 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 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Note	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	Total	
Ng Cheung Shing	(a)	2,032,000	110,000,000	112,032,000	40.71
Leung King San, Sunny		810,000	–	810,000	0.29
Ma Mok Hoi		209,000	–	209,000	0.08
		<u>3,051,000</u>	<u>110,000,000</u>	<u>113,051,000</u>	<u>41.08</u>

The interests of the directors in the share options of the Company are separately disclosed in note 28 to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in shares of associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Class of shares	Number of shares		Percentage of the associated corporation's issued shares capital
				Directly beneficially owned	Through controlled corporation	
Ng Cheung Shing	Computer And Technologies International Limited	Company's subsidiary	Non-voting deferred	1,750,000	3,250,000 (note b)	N/A
Ma Mok Hoi	Maxfair Technology Holdings Limited	Company's subsidiary	Ordinary	25	–	25

Notes:

- (a) 110,000,000 shares were held by Chao Lien Technologies Limited ("Chao Lien"). Mr. Ng Cheung Shing was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of C.S. (BVI) Limited which, in turn, was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Chao Lien. Accordingly, Mr. Ng Cheung Shing was deemed, under the SFO, to be interested in all shares held by Chao Lien.
- (b) 3,250,000 non-voting deferred shares were held by Chao Lien.

Save as disclosed above, as at 31 December 2004, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of 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 for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures in note 28 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

Concerning the share options granted during the year to the directors and employees, as detailed in note 28, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because the costs associated to derive the theoretical value outweighs the benefits of such information to the shareholders.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2004, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of shareholder of the Company	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Chao Lien Technologies Limited	1	Directly beneficially owned	110,000,000	40.0	–
C.S. (BVI) Limited	1	Through a controlled corporation	110,000,000	40.0	–
Puttney Investments Limited ("PIL")	2	Directly beneficially owned	29,148,938	10.6	–
Hutchison International Limited ("HIL")	2	Through a controlled corporation	29,148,938	10.6	–
Hutchison Whampoa Limited ("HWL")	2	Through a controlled corporation	29,148,938	10.6	–
Cheung Kong (Holdings) Limited ("CKH")	2, 3	Through a controlled corporation	29,148,938	10.6	–
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	2, 3	Through a controlled corporation	29,148,938	10.6	–
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	2, 3	Through a controlled corporation	29,148,938	10.6	–

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES (continued)

Name of shareholder of the Company	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	2, 3	Through a controlled corporation	29,148,938	10.6	–
Li Ka-Shing	2, 3	Through a controlled corporation	29,148,938	10.6	–
Hui Yau Man		Directly beneficially owned	26,782,000	9.7	–

Notes

1. The interest was also disclosed as an interest of Mr. Ng Cheung Shing in the section "Directors' interests in shares and underlying shares" of this report.
2. PIL is a wholly-owned subsidiary of HIL, which in turn is a wholly-owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 29,148,938 shares held by PIL.
3. Li Ka-Shing Unity Holdings Limited ("TUHL"), of which each of Li Ka-Shing, Li Tzar Kuoi, Victor, and Li Tzar Kai, Richard, is interested in one-third of the entire issued share capital, owns the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, TUHL also owns the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Li Ka-Shing, being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, TDT1, TDT2, TUT1 and CKH was deemed to be interested in the 29,148,938 shares held by PIL.

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 in shares and underlying shares" 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.

CONNECTED TRANSACTION

Details of the connected transaction for the year are set out in note 33 to the financial statements. The independent non-executive directors of the Company have reviewed the connected transaction set out in note 33 to the financial statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company and the Group are set out in note 32 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

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

Ng Cheung Shing

Chairman

Hong Kong
19 April 2005