

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the Year, the Group disposed of and discontinued its manufacturing and trading of Shao Xing wine and acquired certain new businesses. The activities of its principal subsidiaries and associates are set out in notes 15 and 16 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The Group's loss 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 19 to 76.

The Directors did not recommend the payment of any dividend in respect of the year.

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SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the 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 and after adjustment for the effect of the prior year adjustment in 2003 is set out below.

	Year ended 31 December				
	2004	2003	2002	2001	2000
RESULTS	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)
TURNOVER					
Continuing operations	141,619	–	–	–	–
Discontinuing operations	2,475	195,456	152,916	152,821	135,617
Discontinued operations	–	–	–	40,342	52,374
	<u>144,094</u>	<u>195,456</u>	<u>152,916</u>	<u>193,163</u>	<u>187,991</u>
NET LOSS FROM ORDINARY ACTIVITIES					
ATTRIBUTABLE TO SHAREHOLDERS	<u>(50,682)</u>	<u>(36,693)</u>	<u>(27,953)</u>	<u>(341,359)</u>	<u>(93,463)</u>
ASSETS, LIABILITIES AND					
MINORITY INTERESTS					
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)
Total assets	308,118	566,697	475,855	519,053	931,710
Total liabilities	(127,662)	(298,189)	(219,527)	(231,256)	(348,534)
Minority interests	(1,078)	(107,453)	(96,451)	(99,216)	(98,375)
	<u>179,378</u>	<u>161,055</u>	<u>159,877</u>	<u>188,581</u>	<u>484,801</u>

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 12 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company for the year ended 31 December 2004, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements, respectively.

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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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated summary statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company did not have any reserves available for cash distribution or distribution in specie at 31 December 2004 as computed in accordance with the Companies Act 1981 of Bermuda (as amended). The Company's share premium account of HK\$562,543,000 as at 31 December 2004 may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive Directors

Lee Tiong Hock (<i>Managing Director</i>)	(resigned on 15 September 2004)
Yu Won Kong, Dennis	
Kwok Ying Chuen	(appointed on 15 September 2004)

Non-executive Directors

Li Siu Lok, Albert	(resigned on 16 March 2005)
Liaw Chung Shiung	(resigned on 15 September 2004)

Independent Non-executive Directors

Tso Hon Sai, Bosco	
Kwok Chi Sun, Vincent	
Cheng Wing Keung, Raymond	(appointed on 27 September 2004)

In accordance with Bye-laws 91 and 99(B) of the Company's Bye-laws, Mr. Kwok Ying Chuen, Mr. Cheng Wing Keung, Raymond and Mr. Yu Won Kong, Dennis, will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive Director, is the period up to his retirement by rotation in accordance with the Bye-laws of the Company.

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DIRECTORS' SERVICE CONTRACTS

Mr. Lee Tiong Hock and Mr. Yu Won Kong, Dennis have service contracts with the Group for a term of two years commencing on 1 February 2004 which are subject to termination by either party by giving not less than three months' written notice. Mr. Lee Tiong Hock resigned as Director of the Company on 15 September 2004.

Mr. Kwok Ying Chuen entered into a service contract with the Group for a term of two years commencing on 1 October 2004 which is subject to termination by either party by giving not less than three months' written notice.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2004, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance of the Laws of Hong Kong (the "SFO")) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director	Nature of interest	Number of Shares held	Percentage holdings
Yu Won Kong, Dennis	Beneficial	50,000,000	0.38%

Save as disclosed above, as at 31 December 2004, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

No Director 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.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Share Option Scheme of the Company, Mr. Lee Tiong Hock, the then executive Director of the Company and Mr. Yu Won Kong, Dennis, the executive Director of the Company were granted share options to subscribe for shares in the Company, details of which are set out in note 29.

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement whose objects were to enable a Director or his respective spouse or minor children to acquire benefits by means of acquisition of shares of the Company or any other body corporate, or were any such rights exercised by them.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions in shares in the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage holding
Ample Glory Limited		Directly beneficially owned	1,970,771,910	15.16
Kwok Ying Leung ("Mr. Kwok")	(a)	Through a controlled corporation	1,970,771,910	15.16
Cheung Lai Sheung, Winnie	(b)	Through family members	1,970,771,910	15.16
Kwee Cahyadi Kumala ("Mr. Kwee")	(c)	Through a controlled corporation and directly beneficially owned	779,910,624	6.00
Prestbury Incorporated Ltd. ("Prestbury")		Directly beneficially owned	727,410,624	5.59
Pan Asia Sat Media Ltd.	(d)	Directly beneficially owned	665,568,000	5.12

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Notes:

- (a) The ordinary shares were held by Ample Glory Limited, which was wholly-owned by Mr. Kwok. Accordingly, Mr. Kwok was deemed to be interested in the 1,970,771,910 shares held by Ample Glory Limited.
- (b) Ms. Cheung Lai Sheung, Winnie was deemed to be interested in 1,970,771,910 shares by virtue of the interest in such shares of her spouse, Mr. Kwok.
- (c) Mr. Kwee was the sole shareholder of the entire issued share capital of Prestbury, therefore, Mr. Kwee was deemed to be interested in the shares held by Prestbury. The 779,910,624 shares referred to above comprise (i) 727,410,624 shares held by Prestbury and (ii) 52,500,000 shares held by Mr. Kwee personally.
- (d) Pan Asia Sat Media Ltd is owned as to 75.86% by Mr. Hendro Suwandu, as to 11.14% by the Company and as to the remaining 13.00% by an independent third party. Mr. Hendro Suwandu was therefore deemed to be interested in the 665,568,000 shares held by Pan Asia Sat Media Ltd.

Save as disclosed above, as at 31 December 2004, so far as is known to the Directors or chief executive of the Company, no other person (not being a Director or chief executive of the Company) had any interests or short positions in shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 62% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 50% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 13%.

None of the Directors 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 Group's five largest suppliers.

PURCHASE, SALE OR 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.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company 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 (i) the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation in accordance with the Bye-laws of the Company; and (ii) full board meeting was not held every six months during the year.

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CORPORATE GOVERNANCE *(Continued)*

The Code of Best Practice was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which became effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company in complying with the Code on CG Practices.

MODEL CODE FOR SECURITIES

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code of Appendix 10 to the Listing Rules. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

BOARD PRACTICES

The Company had received an annual confirmation of independence from each of the independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company was of the view that all the independent non-executive Directors met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

AUDIT COMMITTEE

The Company established an audit committee which was established with written terms of reference comprising three Independent Non-executive Directors of the Company, namely Mr. Tso Hon Sai, Bosco, Mr. Kwok Chi Sun, Vincent and Mr. Cheng Wing Keung, Raymond.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge on the Directors as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

During the year, Ernst & Young, who had acted as auditors of the Company for the last three years, resigned and Moore Stephens were appointed the auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditors, Moore Stephens.

On behalf of the Board

Fortuna International Holdings Limited

Kwok Ying Chuen

Director

Hong Kong, 25 April 2005