

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Group are mainly engaged in the extraction, refining, blending, bottling, packaging and distribution of edible oils and ancillary activities. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2004 and the state of affairs of the Company and of 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 for the year.

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 published audited financial statements, is set out on pages 69 and 70. This summary does not form part of the audited financial statements.

FIXED ASSETS

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

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS, AND RESERVES

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 26 and 27 to the financial statements. The movements in the reserves of the Company and of the Group during the year are set out in note 28(b) to the financial statements and in the consolidated statements of changes in equity, respectively.

Details of the distributable reserves of the Company are set out in note 28(b) to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 21, 22 and 23 to the financial statements.

DIRECTORS

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

Hung Hak Hip* (*Chairman*)

Wong Yu Hong, Philip**

Sze Tsai To, Robert**

Cheung Wing Yui, Edward**

Hung Chiu Yee*

Lee Pak Wing*

Chan Sai On, David

Wong Kwok Ying

Lam Fung Ming, Tammy

(appointed on 1 November 2004)

Liu Chi Keung, Ricky (*Vice Chairman & Chief Executive Officer*)

(resigned on 1 November 2004)

* *Non-executive directors*

** *Independent non-executive directors*

All directors, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's By-laws. At the forthcoming annual general meeting, Messrs. Sze Tsai To, Robert, Chan Sai On, David and Lam Fung Ming, Tammy will retire and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive directors, Messrs. Wong Yu Hong, Philip, Sze Tsai To, Robert, and Cheung Wing Yui, Edward, and as at the date of this report considers them to be independent.

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES

(a) Non-executive directors

Hung Hak Hip, aged 60, Chairman, is a chartered accountant and worked in the Hong Kong securities industry before joining the Group in 1975. Mr. Hung is the brother of Ms. Hung Chiu Yee, a non-executive director of the Group. As disclosed under "Directors' and chief executive's interests and short positions in shares and underlying shares", an associate of Mr. Hung is a discretionary beneficiary of a discretionary trust which beneficially owns shares in the Company.

Dr The Hon Wong Yu Hong, Philip, JD, Ph D, aged 66, appointed a director of the Group in 1989, is a prominent businessman who serves on the board of a number of public organisations, including deputy of the National People's Congress, member of the People's Republic of China (the "PRC") Hong Kong SAR Legislative Council, Treasurer of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES *(Continued)*

(a) Non-executive directors *(Continued)*

Sze Tsai To, Robert, aged 64, appointed a director of the Group on 1 June 2000. Mr. Sze is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he practised for over 20 years. He is a non-executive director of a number of Hong Kong listed companies and is also a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

Cheung Wing Yui, Edward, aged 55, appointed a director of the Group in 1989, has been a partner of Woo, Kwan, Lee & Lo, solicitors, since 1981. Mr. Cheung is also a qualified solicitor in England and Singapore and a member of the Australian Society of Certified Practising Accountants.

Hung Chiu Yee, aged 64, appointed a director of the Group in 1988, holds a Bachelor of Science degree and was a former senior executive of the Group. She has business interests in cosmetics and trading. Ms. Hung is the sister of Mr. Hung Hak Hip.

Lee Pak Wing, aged 59, holds a Master of Science degree in production technology. He joined the Group in 1979 prior to which he was a systems manager with Tyco Industries Limited. He was formerly the Vice-chairman of the Group.

(b) Executive directors

Chan Sai On, David, aged 50, is the Managing Director of the Group's operating subsidiaries operating in Mainland China. He holds a diploma in marketing from the Hong Kong Polytechnic University and has over 20 years' experience in the marketing of consumer products. He joined the Group in 1985 and was appointed a director on 1 January 1997.

Wong Kwok Ying, aged 45, is the Chief Financial Officer and Company Secretary of the Group and was appointed a director of the Company on 10 January 2000. Mr. Wong is a certified public accountant (practising) in Hong Kong and has over 20 years' experience in finance, accounting and audit. Prior to joining the Group in 1990, he worked with one of the international accounting firms in Hong Kong.

Lam Fung Ming, Tammy, aged 41, is the Chief Operating Officer of the Group and is responsible for the Group's sales activities, manufacturing, quality assurance and product development. She holds a Bachelor of Science degree in Food Science and Technology and a Higher Diploma in Chemical Technology from the Hong Kong Polytechnic University. She has over 14 years' experience in the oil and food industry. She joined the Group in 1990 and was appointed a director on 1 November 2004.

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES *(Continued)*

(c) Senior executives

Wan Kam Shing, aged 56, is the General Manager for the Group's sales activities in the southern China region. He has managerial experience in cold storage, food service sales and sales of fast moving consumer goods gained in Hong Kong and Mainland China. Mr. Wan joined the Group in 1998.

Lian Bai Xiang, aged 56, is the General Manager for the Group's sales activities in China East Region. He obtained a Diploma in Industrial Enterprise Management from the Shanghai University of Textile in 1987. He has held various managerial positions with PRC entities for over 20 years. He is also the general manager of a Sino-foreign equity joint venture of the Group. Mr. Lian joined the Group in 1993.

Tang Wing Yin, Wilson, aged 39, is principally responsible for treasury and accounting functions of the Group's operations in Mainland China. Mr. Tang is an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 14 years' experience in finance and accounting functions in both Hong Kong and Mainland China. Mr. Tang joined the Group in 2003.

Chan Chi Lik, Tony, aged 39, is the Group's IT manager. He holds a bachelor degree with honors in Information System from the University of Staffordshire in the UK, and a degree of Chinese Law (LLB) from Tsinghua University in Beijing. He has over 14 years' experience in information services and the implementation of Enterprise Resources Planning Execution systems. Mr. Chan joined the Group in 2000.

DIRECTORS' INTERESTS IN CONTRACTS

Other than transactions disclosed under the heading "Connected transactions and continuing connected transactions", none of the directors had a significant 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' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting was a party to any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the interests of the directors and chief executive in the share capital and underlying shares of the Company or 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:

Interests in ordinary shares of the Company

Number of shares held, capacity and nature of interest

Name of director	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	Percentage
						of the Company's issued share capital
Hung Hak Hip	–	1,396,645	3,601,607	3,227,420*	8,225,672	2.0
Wong Yu Hong, Philip	–	–	–	–	–	–
Sze Tsai To, Robert	–	–	–	–	–	–
Cheung Wing Yui, Edward	398,000	–	–	–	398,000	0.1
Hung Chiu Yee	772,673	–	–	–	772,673	0.2
Lee Pak Wing	–	–	–	–	–	–
Chan Sai On, David	–	–	–	–	–	–
Wong Kwok Ying	–	–	–	–	–	–
Lam Fung Ming, Tammy	–	–	–	–	–	–

* 3,227,420 shares were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Interests in warrants of the Company

Name of director	Number of warrants held, capacity and nature of interest			
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust
Hung Hak Hip	–	179,328	720,321	645,483**
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	79,600	–	–	–
Hung Chiu Yee	154,534	–	–	–
Lee Pak Wing	–	–	–	–
Chan Sai On, David	–	–	–	–
Wong Kwok Ying	–	–	–	–
Lam Fung Ming, Tammy	–	–	–	–

** 645,483 warrants were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

Details of the interests of the directors in the share options of the Company are separately disclosed in note 27 to the financial statements.

Save as disclosed above, 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 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.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are disclosed in note 27 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 27 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their respective spouse or minor children to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the interests of those persons (other than the directors) holding 5% or more of the issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in ordinary shares of the Company

Name of holder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Hung's (1985) Limited ("Hung's")	(i)	117,136,083	28.6
Hop Hing Oil (1985) Limited ("HHO")	(ii)	155,392,698	38.0
GZ Trust Corporation ("GZTC")	(iii)	272,528,781	66.6
Hung Cheung Pui	(iv)	272,528,781	66.6

Notes:

- (i) Hung's is the registered holder of the shares disclosed above.
- (ii) HHO is the registered holder of the shares disclosed above.
- (iii) GZTC is the registered holder of the majority units of certain unit trusts, of which Hung's and HHO are trustees. The shares disclosed above represent GZTC's deemed interest in the shares held by Hung's and HHO.
- (iv) Mr. Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC is the trustee. The shares disclosed above represent Mr. Hung Cheung Pui's deemed interest in the disclosed interest of GZTC mentioned above.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Interests in warrants of the Company

Name of holder	Notes	Number of warrants held
Hung's	(i)	23,427,216
HHO	(ii)	31,078,539
GZTC	(iii)	54,505,755
Hung Cheung Pui	(iv)	54,505,755

Notes:

- (i) Hung's is the registered holder of the warrants disclosed above.
- (ii) HHO is the registered holder of the warrants disclosed above.
- (iii) GZTC is the registered holder of the majority units of certain unit trusts, of which Hung's and HHO are trustees. The warrants disclosed above represent GZTC's deemed interest in the warrants held by Hung's and HHO.
- (iv) Mr. Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC is the trustee. The warrants disclosed above represent Mr. Hung Cheung Pui's deemed interest in the disclosed interest of GZTC mentioned above.

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' and chief executive's interests and short positions 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 TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Wytak Limited ("Wytak"), an indirect wholly-owned subsidiary of the Company, as the landlord let certain premises of the Group under five tenancy agreements dated 14 November 2002 (the "Old Tenancy Agreements") to Hung's Management Services Limited ("HMSL"), Yoshinoya Fast Food (Hong Kong) Limited ("Yoshinoya") and Wasserbel Trading Company Limited ("Wasserbel") (collectively referred to herein as the "Old Lessees").

On 12 August 2004, Wytak entered into five surrender agreements (the "Surrender Agreements") with the Old Lessees to terminate the tenancies created under the Old Tenancy Agreements on 15 August 2004. On the same date, Wytak entered into eight tenancy agreements (the "New Tenancy Agreements") with HMSL, Yoshinoya and Food Procurement Limited ("FPL") (collectively referred to herein as the "New Lessees") for letting certain of the premises of the Group to the New Lessees.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The aggregate rent received under the Old Tenancy Agreements by the Group for the period from 1 January 2004 to 15 August 2004 amounted to HK\$1,176,466 and did not exceed the threshold under Rule 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") applicable in that period. The aggregate rent received under the New Tenancy Agreements by the Group for the period from 16 August 2004 to 31 December 2004 was HK\$899,794. The aggregate annual rent received by the Group for the year was HK\$2,076,260 which did not exceed the annual threshold under Rule 14A.34 of the Listing Rules for the year.

The Old Lessees and the New Lessees are controlled by GZ Trust Corporation, a substantial shareholder of the Company, and hence are connected persons of the Group under the Listing Rules. Moreover, Mr. Hung Hak Hip and Ms. Hung Chiu Yee, two non-executive directors of the Company, are directors of HMSL; and Mr. Lee Pak Wing, a non-executive director of the Company, is a director of Wasserbel, Yoshinoya and FPL.

Further details of the connected transactions and continuing connected transactions were set out in the Company's announcements dated 14 November 2002 and 18 August 2004.

In respect of the Old Tenancy Agreements which constituted continuing connected transactions, the Stock Exchange has granted to the Company a waiver from strict compliance with the disclosure requirements under Rule 14.25 of the then applicable Listing Rules, subject to certain conditions which have been fully complied with by the Company for the period from 1 January 2004 to 15 August 2004, the date on which the Old Tenancy Agreements were terminated.

The independent non-executive directors have reviewed and confirmed that the continuing connected transactions arising from the Old Tenancy Agreements for the period from 1 January 2004 to 15 August 2004 (i) had been entered into by the Company in the ordinary and usual course of its business; (ii) had been entered into on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and (iii) the value of the aggregate rent under the Old Tenancy Agreements does not exceed the thresholds under Rule 14.25(1) of the then applicable Listing Rules.

The auditors of the Company have reviewed the continuing connected transactions arising from the Old Tenancy Agreements for the period from 1 January 2004 to 15 August 2004 and confirmed that the transactions (i) were approved by the Board of Directors of the Company; (ii) had been entered into in accordance with the terms of the Old Tenancy Agreements; and (iii) had not exceeded the thresholds under Rule 14.25(1) of the then applicable Listing Rules.

In respect of the Surrender Agreements which constitute connected transactions and the New Tenancy Agreements which constitute continuing connected transactions, the Company has fully complied with the reporting requirements under Rule 14A.45 of the Listing Rules and annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules. Independent shareholders' approval of these transactions is not required as the threshold stipulated under Rule 14A.34 of the Listing Rules will not be exceeded at any relevant time.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The independent non-executive directors have reviewed and confirmed that the continuing connected transactions arising from the New Tenancy Agreements during the year had been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions arising from the New Tenancy Agreements and confirmed that the transactions (i) had received the approval of the Board of Directors of the Company; (ii) had been entered into in accordance with the New Tenancy Agreements governing the transactions; and (iii) had not exceeded the annual cap disclosed in the announcement of the Company dated 18 August 2004.

Save for the connected transactions and continuing connected transactions disclosed above and the related party transactions as set out in note 33 to financial statements, there were no other transactions which, in the opinion of the directors, constitute connected transactions under the Listing Rules.

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES

Details of the loan agreements of the Company with covenants relating to specific performance of the controlling shareholders of the Company, which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

On 24 April 2003, the Company and Wytak entered into a loan agreement (the "Company Loan Agreement") with a syndicate of banks for a composite loan facility of up to HK\$140,000,000 consisting of a term loan facility and a revolving advances facility, both repayable in full on or before the last business day in October 2006. On the same date, Sino Food Products Company (Holdings) Limited, a wholly-owned subsidiary of the Company, entered into a loan agreement (the "Sino Food Loan Agreement") with a syndicate of banks for a term loan facility of up to HK\$40,000,000 available from the date of the Sino Food Loan Agreement to the last business day in October 2006.

Under each of the Company Loan Agreement and the Sino Food Loan Agreement (collectively the "Loan Agreements"), there would be an event of default if, at any time, (i) the aggregate unencumbered registered holdings of Hung's, a substantial shareholder (as defined in the Listing Rules) of the Company holding 28.6% equity interest in the Company, and HHO, a controlling shareholder (as defined in the Listing Rules) of the Company holding 38% equity interest in the Company, in the shares of the Company (the "Shares") represents less than 50% of the Shares; or (ii) GZTC, a controlling shareholder (as defined in the Listing Rules) of the Company holding indirectly 66.6% equity interest in the Company, ceases to be or is no longer interested in more than 50% of the relevant share capital (as defined in the SFO) of the Company. Upon the occurrence of any of the said events of default, all amounts outstanding in respect of all loans (including accrued interest) under the Loan Agreements shall become immediately due and payable and the obligations of the lenders to the Loan Agreements to make further advances shall cease. The aggregate amounts of the loan facilities under the Company Loan Agreement and the Sino Food Loan Agreement that may be affected by such breach as at 31 December 2004 were HK\$120,000,000 and HK\$33,000,000, respectively.

REPORT OF THE DIRECTORS

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES *(Continued)*

As at 31 December 2004, the following advances were made to and guarantees were given for banking facilities granted to Evergreen Oils & Fats Limited ("Evergreen"), an affiliated company of the Company:

Affiliated company	Percentage of equity held by the Group	Balance of advances HK\$'000	Guarantees given HK\$'000	Extent of guaranteed facilities utilised HK\$'000	Aggregate of advances and guarantees given HK\$'000
Evergreen Oils & Fats Limited	50%	11,370	77,000	21,697	88,370

Evergreen is a jointly-controlled entity whose interests are held as to 50% by Lawshun Holdings Limited, a wholly-owned subsidiary of the Company, and 50% by an independent third party. The advances are trade receivables arising from the ordinary course of business of the Group and are unsecured, interest-free and repayable on demand.

The relevant percentage ratio of the above advances to and guarantees given for the banking facilities granted to Evergreen in aggregate exceeded 8% under Rule 13.16 of the Listing Rules.

Pursuant to the continuing disclosure requirements under Rule 13.22 of the Listing Rules, the proforma balance sheet of Evergreen and the Group's attributable interest in Evergreen as at 31 December 2004 are presented below:

Proforma Balance Sheet of Evergreen Oils & Fats Limited

	31 December 2004 (Audited) HK\$'000
Non-current assets	19,237
Current assets	231,270
Current liabilities	(134,763)
Non-current liabilities	(1,378)
Net assets	<u>114,366</u>
Attributable interest of the Group's share of net assets	<u>57,220</u>

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 33% of the total sales for the year with sales to the largest customer included therein amounted to 21%. The percentage of purchases attributable to the Group's five largest suppliers was less than 30% of the Group's purchases for the year.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers during the year.

RETIREMENT BENEFITS SCHEMES

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund Scheme (the "MPF Scheme") and the scheme registered under the Occupational Retirement Scheme Ordinance which has been exempted under the MPF Schemes Ordinance (the "Exempted Scheme") for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the respective schemes. The assets of the respective schemes are held separately from those of the Group in independently administered funds. In accordance with the MPF Schemes Ordinance, when an employee leaves the Exempted Scheme prior to his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For the MPF Scheme, the employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 11% of its payroll costs to the central pension scheme.

For the year ended 31 December 2004, the total scheme contributions made by the Group amounted to HK\$1,022,000 and forfeited contributions applied to reduce employer's contributions were HK\$178,000. As at 31 December 2004, the amount of forfeited contributions available to reduce future contributions to the Exempted Scheme amounted to HK\$276,000.

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 OWN LISTED SECURITIES

There were no purchases, sales or redemptions by the Company or any of its subsidiaries, of the Company's listed securities during the year.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the then Listing Rules throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code as they are subject to retirement and re-election in accordance with the provisions of the Bye-laws of the Company.

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

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 of 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 purposes 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 and two 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

HUNG HAK HIP

Chairman

28 April 2005