

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 31 and 15 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 20 of the annual report.

An interim dividend of HK0.45 cent per share amounting to HK\$7,200,000 was paid to the shareholders during the year. The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the financial statements.

PLANT AND EQUIPMENT

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

SHARE OPTION SCHEME

Details of share option scheme are set out in note 29 to the financial statements.

As at the date of this report, the total number of securities available for issue under the existing share option scheme (the "Option Scheme") is 160,000,000 shares, representing 10% of the issued share capital of the Company.

At 31 December 2004, the number of shares in respect of which options had been granted and had remained outstanding under the Option Schemes was 114,095,000, representing 7.1% of the issued shares capital of the Company at that date.

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SHARE OPTION SCHEME (continued)

A summary of the movements during the year in the Company's Option Scheme is as follows:

	Outstanding at 1 January 2004	Granted during the year	Reallocation during the year	Outstanding at 31 December 2004
Executive director				
– Mr. Yen Chung Chuan (<i>Note a</i>)	–	–	2,080,000	2,080,000
Employees	45,370,000	14,300,000	(2,080,000)	57,590,000
Principal buyers (<i>Note b</i>)	12,980,000	30,700,000	–	43,680,000
Suppliers of services	10,745,000	–	–	10,745,000
Total	69,095,000	45,000,000	–	114,095,000

Notes:

- (a) Mr. Yen Chung Chuan was appointed as an executive director of the Company on 5 February 2004. Prior to the appointment, Mr. Yen was an employee of one of the subsidiaries of the Company.
- (b) Principal buyers are the former employees of the Group.

Details of options granted are as follows:

Date of grant	Exercise period	Closing price immediately before the date of grant HK\$	Exercise price per share HK\$
9 October 2003	10 October 2003 – 28 August 2011	0.38	0.3810
16 November 2004	17 November 2004 – 28 August 2011	0.21	0.2166

The directors do not consider it appropriate to disclose a theoretical value of the Share Options granted during the year because of the absence of a readily available market value of the Share Options on the shares of the Company. Accordingly, the directors were unable to arrive at any reasonable assessment of the value of these Share Options.

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Yu Pen Hung
Mr. Yen Chung Chuan (appointed on 5 February 2004)
Ms. Chen Lee Shu (resigned on 5 February 2004)
Mr. Yu Chi Ming, Frederick (resigned on 31 January 2005)

Independent Non-Executive Directors:

Dr. Liu James Juh
Ms. Hu Gin Ing
Mr. Yim Hing Wah (appointed on 27 September 2004)

In accordance with the provisions of the Company's Articles of Association, Mr. Yim Hing Wah and Ms. Hu Gin Ing will retire at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election.

Each of the executive Directors has entered into a service agreement with the Company under which they are to act as executive Directors for an initial term of two years commencing from 1 September 2001 and shall continue thereafter until terminated by either party giving to the other not less than three calendar months' notice in writing. All executive Directors may also be entitled to a management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 5% of the audited consolidated or combined net profit of the Group after taxation, minority interests and payment of such bonuses but excluding extraordinary items in respect of that financial year of the Group.

Each of the independent non-executive directors was appointed in accordance with the Company's Articles of Association.

The Company has received from each of the three independent non-executive Directors on annual confirmation of his independence as required under Rule 3.13 of Chapter 3 of the Rules Governing of the Listing of Securities on the stock exchange of Hong Kong Limited (the "Listing Rules") and considers all the these independent non-executive Directors are independent.

Save as disclosed above, none of the Directors being 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2004, the interests of the Directors and chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained 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 Companies, were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Mr. Yu Pen Hung	Held by controlled corporation	1,200,000,000 (<i>note</i>)	75%

Note: These shares are held by E-Career Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Yu Pen Hung.

In addition to the above, a Director held interests in the non-voting deferred shares of a wholly-owned subsidiary of the Company as at 31 December 2004 as follows:

Name of subsidiary	Name of director	Number of non-voting deferred shares held
Artel Industries Limited	Mr. Yu Pen Hung	6,400,000 shares of HK\$1 each

Other than as disclosed above and certain nominee shares in subsidiaries held by the Directors in trust for the Group, none of the Directors or chief executives, or their associates, had any relevant interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2004.

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ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the Company's directors or chief executives or their respective spouses or children under the age of 18 or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding company or any of its 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, in addition to those interests as disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests in 5% or more of the issued share capital of the Company:

Name	Number of shares held	Approximate percentage of holding
E-Career Investments Limited (<i>note</i>)	1,200,000,000	75%

Note: The entire issued share capital of E-Career Investments Limited is beneficially owned by Mr. Yu Pen Hung. Both E-Career Investments Limited and Mr. Yu Pen Hung are therefore deemed to have the duplicate interests in the 1,200,000,000 shares of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2004.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for about 45% of the turnover of the Group and the largest customer accounted for about 22% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 99% of its purchases for the year. Purchases from the largest supplier accounted for about 86% of the Group's purchases.

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MAJOR CUSTOMERS AND SUPPLIERS (continued)

None of the Directors, their respective associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group for the financial year ended 31 December 2004.

All transactions between the Group and its customers were carried out at arm's length and on normal commercial terms.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits schemes maintained by the Group are set out in note 30 to the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete either directly or indirectly with business of the Group.

CORPORATE GOVERNANCE

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 on the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Yu Pen Hung
Chairman

Hong Kong, 22 April 2005