

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2004.

Change of name

On 28 May 2004, a special resolution was passed to change the English name of the Company from Singapore Hong Kong Properties Investment Limited to Landune International Limited and Chinese name from 星港地產投資有限公司 to 藍頓國際有限公司 with effect from 16 June 2004.

Principal Activities and Segmental Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries comprise the following:

- (i) property holding, investment and re-development in Hong Kong; and
- (ii) manufacturing, sales and distribution of health products in the People's Republic of China ("PRC")

Particulars of the Company's subsidiaries as at 31 December 2004 are set out in Note 16 to the financial statements.

The Group will continue to identify suitable projects and investment opportunities for possible diversifications. In addition, it will continue to identify suitable properties and development or re-development opportunities for acquisition.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in Note 4 to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 17.

The directors do not recommend the payment of a dividend.

Fixed Assets

Particulars of the movements in fixed assets of the Group and the Company during the year are set out in Note 15 to the financial statements.

Principal Properties

Particulars of the properties held for resale are set out on page 58.

Bank and Other Borrowings

Particulars of bank and other borrowings of the Group and the Company as at 31 December 2004 are set out in Notes 23 and 24 to the financial statements.

Share Capital

The movements in share capital of the Company during the year are set out in Note 25 to the financial statements.

Reserves

The movements in reserves of the Group and the Company during the year are set out in Note 27 to the financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2004, calculated under section 79B of the Company Ordinance, amounted to HK\$Nil (2003: HK\$Nil).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Hong Kong.

Purchase, Sale or Redemption of Shares

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

Five Year Financial Summary

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarised on page 57.

Directors

The directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Ni Xinguang (*Chairman*) (appointed on 12 March 2004)

Mr. Ha Shu Tong (*Managing Director*)

Mr. Wang Zhiming (appointed on 12 March 2004)

Mr. Ng Chun Chuen, David

Independent Non-executive Directors

Mr. Chan Wai Sum

Mr. Tang Chi Wing

Mr. Lee Kit Ming, Edmund

In accordance with article 116 of the Company's articles of association, Mr. Chan Wai Sum and Mr. Tang Chi Wing retire by rotation, being eligible, offer themselves for re-election.

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Biography of directors

Biography of directors are set out on page 7.

Directors' Service Contracts

The appointments of the present independent non-executive directors are not for specific terms. They are subject to retirement by rotation in accordance with the Company's articles of association.

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting of the Company.

Directors' Interests and Short Positions

As at 31 December 2004, the directors and their respective associated corporations had interests in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") as follows:

Name of director	Number of shares held		Number of underlying ordinary shares held under equity derivatives	Total	Percentage of the issued share capital*
	Personal interests	Corporate interests			
Ni Xinguang	40,530,000	2,000,000,000 (Note)	37,000,000	2,077,530,000	55.81%
Wang Zhiming	39,530,000	2,000,000,000 (Note)	37,000,000	2,076,530,000	55.78%
Ha Shu Tong	85,000,000	-	35,000,000	120,000,000	3.22%
Ng Chun Chuen David	30,000,000	-	35,000,000	65,000,000	1.75%

Note: 2,000,000,000 shares were owned by Group First Limited, a private company beneficially owned by Mr. Ni Xinguang as to 60% and Mr. Wang Zhiming as to 40%, representing approximately 53.72% of the issued share capital of the Company.

* The percentage has been calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2004 (i.e. 3,722,792,000).

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or his associates of the Company or their respective associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors (including their spouses and children under the age of 18) had, as at 31 December 2004, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

Share Options

On 28 May 2004, the shareholders of the Company approved the termination (to the effect that no further options shall be offered) of the then share option scheme previously adopted on 28 August 1999 (the "1999 Share Option Scheme") and the adoption of a new share option scheme (the "2004 Share Option Scheme"). As at 31 December 2003 and at the date of termination, no options were outstanding under the 1999 Share Option Scheme. During the year, options to subscribe for a total of 144,000,000 option shares of the Company has been granted under the 2004 Share Option Scheme.

The following is a summary of the principal terms of the 2004 Share Option Scheme.

2004 Share Option Scheme

The 2004 Share Option Scheme is designed to motivate executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group to optimise their future contributions to the Group and enable the Group to attract and retain individuals with experience and ability and to reward them for their past contributions.

Under the 2004 Share Option Scheme, the board of directors of the Company (the "Board") may, at its discretion, grant options to the eligible persons as defined in the 2004 Share Option Scheme (the "Eligible Person") to subscribe for the shares of the Company (the "Shares") at HK\$1 as acceptance of option offer. The basis of eligibility of any of the Eligible Persons to the grant of any options shall be determined by the Board from time to time on the basis of their contribution to the development and the growth of the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2004 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10 per cent. of the Shares in issue as at the date of the adoption of the 2004 Share Option Scheme (the "Scheme Mandate Limit") provided that the Company may at any time as the Board may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the 2004 Share Option Scheme (and under any other scheme of the Company) shall not exceed 10 per cent. of the Shares in issue as at the date of approval by the shareholders of the Company in general meeting where such limit is refreshed. Options previously granted under the 2004 Share Option Scheme and any other scheme of the Company (including those outstanding, cancelled, and lapsed in accordance with the terms of the 2004 Share Option Scheme or any other scheme of the Company or exercised options under the said schemes) shall not be counted for the purpose of calculating the limit as refreshed. Notwithstanding aforesaid in this paragraph, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30 per cent. of the Shares in issue from time to time. As at the date of this report, a total of 228,279,000 Shares (representing approximately 6.13 per cent. of the existing issued share capital of the Company) are available for issue under the 2004 Share Option Scheme. The maximum entitlement of each participant under the 2004 Share Option Scheme is 1 per cent. of the Shares in issue from time to time.

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2004 Share Option Scheme (continued)

The period within which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised later than 10 years from the date on which the option is granted. Subject to the provisions of the 2004 Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the 2004 Share Option Scheme as it may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the forgoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the option shares shall vest. The amount payable on acceptance of an options is HK\$1. The period within which the amount of the subscription price for the Shares to be paid upon exercise of an option shall be determined by the Board.

The subscription price in respect of any particular option under the 2004 Share Option Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of (a) the nominal value of a Share; (b) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of options; and (c) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of options.

The 2004 Share Option Scheme will expire on 27 May 2014.

Movements of the options, which were granted under the 2004 Share Option Scheme, during the year are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of option shares held as at 01/01/2004	Number of option shares granted during the year	Number of option shares exercised during the year	Number of options lapsed during the year	Number of option share held as at 31/12/2004	Exercise price HK\$	Exercise period
Directors									
Ni Xinguang	20/12/2004	I	-	37,000,000	-	-	37,000,000	0.113	27/6/2005 - 26/12/2007
Ho Shu Tong	20/12/2004	I	-	35,000,000	-	-	35,000,000	0.113	24/6/2005 - 23/12/2007
Wang Zhiming	20/12/2004	I	-	37,000,000	-	-	37,000,000	0.113	27/6/2005 - 26/12/2007
Ng Chun Chuen David	20/12/2004	I	-	35,000,000	-	-	35,000,000	0.113	24/6/2005 - 23/12/2007

Directors Interests in Contracts

Save as disclosed in "Connected Transactions" below, no contract of significance in relation to the Group's business to which the Company, its subsidiaries or its holding companies 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.

Connected Transactions

- (a) During the year, the Group had sales of health products of HK\$1,466,000 to 上海綠力保健品科技有限公司("上海綠力"). Mr. Ni Xinguang, the executive director of the Company, has 10% shareholding of 上海綠力.
- (b) During the year, the Group paid marketing and distribution expenses of HK\$566,000 to 上海力星生化科技有限公司("上海力星"). Mr. Wang Zhiming, the executive director of the Company, has 90% shareholding of 上海力星.

Directors' Interests in Competing Business

None of the directors or the management shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company had an interest in a business which competes or may compete with the business of the Group.

Substantial interests in the share capital of the Company

As at 31 December 2004, the interests of those persons (other than the directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital
Group First Limited	Beneficial owner	2,000,000,000	53.72%
Wong Chung Pak	Beneficial owner	333,200,000	8.95%
Best Radiant Limited	Beneficial owner	200,000,000	5.37%
Mung Yat Lit	Interest of controlled corporation	200,000,000	5.37%

All the interests disclosed under this section represent long position in the shares of the Company.

Apart from the aforesaid, as at 31 December 2004, the Company had not been notified of any interests and short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Mandatory Provident Fund

Details of the Mandatory Provident Fund are set out in Note 12 to the financial statements.

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Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

The largest customer	34.2%
Five largest customers in aggregate	55.3%
The largest supplier	31.4%
Five largest suppliers in aggregate	75.7%

Save as disclosed in Note (a) of "Connected Transactions" above, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major customers and suppliers noted above.

Compliance with the Code of Best Practice of the Listing Rules

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors are not appointed for a specific term.

Audit Committee

The Company has established an audit committee in September 1999 with written terms of reference based on the guidelines set out in "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has met two times during the year.

The audit committee members who held office during the year were:

Mr. Chan Wai Sum
Mr. Lee Kit Ming, Edmund (appointed on 12 March 2004)
Mr. Tang Chi Wing

Confirmation of Independence

The Company has received annual confirmation of independence from the three independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

Events after the Balance Sheet Date

Details of the events after the balance sheet date of the Group are set out in Note 34 to the financial statements.

Auditors

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming annual general meeting.

By order of the board
Ha Shu Tong
Managing Director

Hong Kong SAR, 25 April 2005