

## REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2004.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries, jointly controlled entity and associates are set out in notes 16, 18 and 19 respectively to the financial statements.

### RESULTS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 24 of the financial statements.

The directors do not recommend the payment of a dividend.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$359,452,000 on additions of property, plant and equipment.

Details of these and other movements during the year in the property, plant and equipment of the Company and the Group are set out in note 13 to the financial statements.

### INVESTMENT PROPERTIES

The investment properties of the Group were revalued at 31st December, 2004 by an independent firm of professional property valuers, on an open market value basis at HK\$26,978,000. The valuation gave rise to a revaluation increase of HK\$2,246,000 which has been charged to the income statement.

Details of these and other movements during the year in investment properties are set out in note 14 to the financial statements.

## REPORT OF THE DIRECTORS

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 to the financial statements.

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

### RESERVES

Details of movements in reserves of the Company and the Group are set out in the in note 28 to the financial statements and the consolidated statement of changes in equity of the Group on page 28 in the annual report respectively.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

**Executive directors:**

Soopakij Chearavanont

Tse Ping

Lee G. Lam

Narong Chearavanont

Supachai Chearavanont

Chatchaval Jiaravanon

Kachorn Chiaravanont

Yang Xiaoping

Robert Ping-Hsien Ho

**Independent non-executive directors:**

Viroj Sangsnit

Chokchai Kotikula

Cheng Yuk Wo (appointed on 27th September, 2004)

In accordance with article 99 the Company's articles of association, Mr. Cheng Yuk Wo will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

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### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)

In accordance with article 116 of the Company's articles of association, Mr. Narong Chearavanont, Mr. Supachai Chearavanont and Mr. Chokchai Kotikula, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Mr. Viroj Sangsrit and Mr. Chokchai Kotikula, independent non-executive directors of the Company, are appointed for a term of one year 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 articles of association.

Details of the Directors proposed to be re-elected at the forthcoming annual general meeting have been set out on pages 11 to 13 in the annual report.

### DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2004, the interests of the directors, the chief executive and their associates in the securities of the Company and its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance (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 (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

#### Long position in shares of an associated corporation

Ordinary shares of Baht 100 each of Freewill Solutions Company Limited			
Name of director	Capacity	Number of issued ordinary shares held	Percentage of issued share capital
Mr. Supachai Chearavanont	Beneficial owner	60,000	1.66%

Other than as disclosed above, none of the directors, the chief executive nor their associates had any interests or short positions in any securities of the Company or any of its associated corporations as at 31st December, 2004.

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### SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 27 to the financial statements.

The following table discloses the movements in the Company's share options during the year.

	Date of grant	Exercise price HK\$	Exercisable period	Outstanding at beginning of year	Granted during the year	Outstanding at end of year
<b>Category 1: Directors</b>						
Soopakij Chearavanont	6.6.2002	0.07	6.6.2002 to 5.6.2012	59,966,144	–	59,966,144
	10.11.2003	0.19	10.11.2003 to 9.11.2013	59,966,144	–	59,966,144
Tse Ping	6.6.2002	0.07	6.6.2002 to 5.6.2012	59,966,144	–	59,966,144
	10.11.2003	0.19	10.11.2003 to 9.11.2013	59,966,144	–	59,966,144
Narong Chearavanont	6.6.2002	0.07	6.6.2002 to 5.6.2012	59,966,144	–	59,966,144
	10.11.2003	0.19	10.11.2003 to 9.11.2013	59,966,144	–	59,966,144
Supachai Chearavanont	6.6.2002	0.07	6.6.2002 to 5.6.2012	59,966,144	–	59,966,144
	10.11.2003	0.19	10.11.2003 to 9.11.2013	59,966,144	–	59,966,144
Chatchaval Jiaravanon	6.6.2002	0.07	6.6.2002 to 5.6.2012	59,966,144	–	59,966,144
	10.11.2003	0.19	10.11.2003 to 9.11.2013	59,966,144	–	59,966,144
Kachorn Chiaravanont	6.6.2002	0.07	6.6.2002 to 5.6.2012	59,966,144	–	59,966,144
	10.11.2003	0.19	10.11.2003 to 9.11.2013	59,966,144	–	59,966,144
Yang Xiaoping	6.6.2002	0.07	6.6.2002 to 5.6.2012	59,966,144	–	59,966,144
	10.11.2003	0.19	10.11.2003 to 9.11.2013	59,966,144	–	59,966,144
Robert Ping-Hsien Ho	6.6.2002	0.07	6.6.2002 to 5.6.2012	59,966,144	–	59,966,144
	10.11.2003	0.19	10.11.2003 to 9.11.2013	59,966,144	–	59,966,144
Total				959,458,304	–	959,458,304

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### SHARE OPTIONS (Continued)

	Date of grant	Exercise price HK\$	Exercisable period	Outstanding at beginning of year	Granted during the year	Outstanding at end of year
<b>Category 2: Employees</b>						
Employees	6.6.2002	0.07	6.6.2002 to 5.6.2012	119,932,288	–	119,932,288
	10.11.2003	0.19	10.11.2003 to 9.11.2013	119,932,288	–	119,932,288
Total				239,864,576	–	239,864,576
Total for all categories				1,199,322,880	–	1,199,322,880

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than disclosed in “Share Options” above, 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 directors of the Company 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 contract of significance, to which the Company, its holding company or 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.

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### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

#### Long position in shares

Ordinary shares of HK\$0.02 each

Name of shareholders	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital
Mr. Dhanin Chearavanont	Beneficial owner	90,315,830	1.51%
	Held by controlled corporation (Note 1)	3,343,953,189	55.76%
		3,434,269,019	57.27%
Ms. Thipavan Hongkietkajohn	Held by controlled corporation (Note 2)	508,130,081	8.47%
Ms. Unnapa Lertamornkitti	Held by controlled corporation (Note 2)	508,130,081	8.47%

#### Notes:

- (1) 3,343,953,189 shares were beneficially owned by Ramon Limited, in which 50.86% of its share capital is beneficially held by Mr. Dhanin Chearavanont.
- (2) 508,130,081 shares were beneficially owned by A.D. Enterprise Limited, in which its entire share capital is beneficially held as to 50% by Ms. Thipavan Hongkietkajohn and Ms. Unnapa Lertamornkitti respectively.

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

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### CONNECTED TRANSACTIONS

On 10th June, 2004, the Company entered into a guarantee in favour of Chia Tai International Finance Company Limited, a company in which a controlling shareholder of the Company has a controlling interest, which has provided security in relation to a bank loan obtained by a former subsidiary of the Company.

On 24th June, 2004, the Group entered into a conditional lease agreement with Shanghai Kinghill Limited ("Shanghai Kinghill"), a company in which a controlling shareholder has a controlling interest, to lease the department store premise from Shanghai Kinghill at a maximum operating lease payments of not exceeding RMB90 million (approximately HK\$85 million) for an initial term of three years.

The independent non-executive directors confirm that the transactions have been entered into by the Company on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and is in the interests of the shareholders and the Company as a whole.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

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. All directors 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.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

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### EMOLUMENT POLICY

Including the Directors, the Group had around 5,350 employees as at 31st December, 2004. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical cover, subsidized training programmes as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

### PRE-EMPTIVE RIGHTS

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

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder has any interest in the Group's five largest customers and suppliers.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2004.



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### AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Robert Ping-Hsien Ho**

*Director*

Hong Kong, 24th March, 2005