

directors' report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2004.

Principal Activities

The Company acts as an investment holding company and also manufactures and trades electrical and electronic products.

The principal activities of the principal subsidiaries and associates are set out in notes 40 and 41 to the financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 46.

An interim dividend of HK4.50 cents per share amounting to HK\$60,554,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK12.50 cents per share to the shareholders on the register of members on 17th June, 2005, amounting to approximately HK\$169,038,000.

Property, Plant and Equipment

The Group continued to expand its business, and during the year spent approximately HK\$123,232,000 on moulds and tooling and acquired office equipment, furniture and fixtures of approximately HK\$46,591,000, and plant and machinery of approximately HK\$57,591,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

Share Capital

On 28th May, 2004, ordinary resolutions were passed by the shareholders of the Company to approve the increase (the "Increase") in the authorized share capital of the Company to HK\$240,000,000 and the subdivision (the "Subdivision") of each issued and unissued shares of HK\$0.20 each in the authorized share capital into two ordinary shares of HK\$0.10 each. The Increase and the Subdivision became effective on 28th and 31st May, 2004 respectively.

During the year, the Company issued 2,995,000 shares of HK\$0.20 each and 21,341,000 shares of HK\$0.10 each at a total consideration of approximately HK\$141,261,000 pursuant to the exercise of share options granted by the Company. The shares issued rank *pari passu* in all respects with the existing shares.

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

Directors

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

Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman and Chief Executive Officer*

Mr Roy Chi Ping Chung, *Group Managing Director*

Mr Kin Wah Chan

Mr Chi Chung Chan

Non-executive Directors:

Mr Vincent Ting Kau Cheung (re-designated from Independent Non-executive Director on 30th September, 2004)

Dr Akio Urakami (re-designated from Group Executive Director on 31st December, 2004)

Independent Non-executive Directors:

Mr Joel Arthur Schleicher

Mr Christopher Patrick Langley

Mr Manfred Kuhlmann (appointed on 30th September, 2004)

In accordance with Article 103 of the Company's Articles of Association, Messrs Horst Julius Pudwill, Vincent Ting Kau Cheung, Christopher Patrick Langley and Manfred Kuhlmann will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

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.

Terms of Office of Non-executive Directors and Independent Non-executive Directors

The term of office for each of the non-executive directors and independent non-executive directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

Directors' and Chief Executive's Interests in Shares

As at 31st December, 2004, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or 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:

Directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾	Interests in underlying shares pursuant to equity derivatives ⁽¹⁾	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	76,554,000	26,688,000	326,661,794	24.16%
	Interest of spouse	760,000	–	–	–
	Interest of controlled corporation	222,659,794 ⁽²⁾	–	–	–
Mr Roy Chi Ping Chung	Beneficial owner	113,541,948	13,824,000	164,576,978	12.17%
	Interest of spouse	136,000	–	–	–
	Interest of controlled corporation	37,075,030 ⁽³⁾	–	–	–
Mr Kin Wah Chan	Beneficial owner	2,319,000	2,000,000	4,319,000	0.32%
Mr Chi Chung Chan	Beneficial owner	500,000	3,000,000	3,500,000	0.26%
Dr Akio Urakami	Beneficial owner	1,300,000	300,000	1,600,000	0.12%
Mr Vincent Ting Kau Cheung	Beneficial owner	1,920,000	800,000	2,720,000	0.20%
Mr Joel Arthur Schleicher	Beneficial owner	200,000	500,000	700,000	0.05%
Mr Christopher Patrick Langley	Beneficial owner	400,000	300,000	700,000	0.05%

Directors' and Chief Executive's Interests in Shares *(continued)*

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions.

The equity derivatives are physically settled and unlisted.

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives represent options granted to them pursuant to the share option schemes adopted by the Company, details of which are separately disclosed in the section headed "Share Options" below.

- (2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

	No. of shares
Sunning Inc.	185,584,764
Cordless Industries Company Limited*	37,075,030
	222,659,794

- (3) These shares were held by Cordless Industries Company Limited* in which Mr Roy Chi Ping Chung has a beneficial interest.

* *Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Mr Roy Chi Ping Chung.*

Save as disclosed above, none of the directors and the chief executive and their associates of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31st December, 2004.

Share Options

Scheme adopted on 28th November, 1990 and expired on 27th November, 2000 ("Scheme A")

In accordance with the Company's share option scheme adopted pursuant to a resolution passed on 28th November, 1990, the Board of Directors may grant share options to eligible employees, including full-time employees and executive directors of the Company and its subsidiaries, at nil consideration, to subscribe for shares in the Company. The purpose of the scheme is to provide incentives or rewards to directors and eligible employees.

Share options granted must be taken up within 21 days of the date of grant. Any share options granted can be exercised within the period commencing on the first anniversary of the date of grant of such share option and expiring at the close of business on the tenth anniversary thereof.

The subscription price is set at not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the share option. The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the issued share capital of the Company from time to time but excluding shares issued pursuant to the share option scheme, and shall not exceed 1% of the issued share capital in any one financial year. No employee shall be granted an option, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under Scheme A.

Scheme A expired on 27th November, 2000.

Scheme adopted on 25th May, 2001 and terminated on 28th March, 2002 ("Scheme B")

Following the expiry of Scheme A in November, 2000, a new share option scheme was adopted pursuant to a resolution passed on 25th May, 2001 for the purpose of providing incentives or rewards to directors and eligible persons. Under Scheme B, the Board of Directors of the Company may grant share options to eligible persons, including full-time officers, executive directors and full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date which the offer of share options is accepted to the fifth anniversary thereof. The subscription price is set at not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the share option.

The maximum number of shares in respect of which share options may be granted under Scheme B is not permitted to exceed 10% of the issued share capital of the Company from time to time. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under Scheme B.

Scheme B was terminated on 28th March, 2002 pursuant to a resolution passed on that date.

Share Options *(continued)*

Scheme adopted on 28th March, 2002 (“Scheme C”)

Following the termination of Scheme B, a new share option scheme was adopted pursuant to a resolution passed on 28th March, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on 27th March, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

- (i) employees; or
- (ii) non-executive directors (including independent non-executive directors); or
- (iii) suppliers or customers; or
- (iv) any person or entity that provides research, development or other technological support; or
- (v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Share Options (continued)

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

Name of directors	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted before the share subdivision	Exercised before the share subdivision	Addition due to adjustment for the share subdivision made during the year	Granted subsequent to the share subdivision	Exercised subsequent to the share subdivision	Lapsed during the year	Outstanding at end of the year	Subscription price adjusted for the effect of the share subdivision		Exercise period
											price prior to the share subdivision HK\$	price adjusted for the effect of the share subdivision HK\$	
Mr Horst Julius Pudwill	19.6.2001	Scheme B	2,200,000	-	-	2,200,000	-	4,400,000	-	-	2.2600	1.1300	19.6.2001 - 18.6.2006
	28.6.2002	Scheme C	12,864,000	-	-	12,864,000	-	-	-	25,728,000	7.2000	3.6000	28.6.2002 - 27.6.2007
	19.9.2003	Scheme C	280,000	-	-	280,000	-	-	-	560,000	17.3700	8.6850	19.9.2003 - 18.9.2008
	25.2.2004	Scheme C	-	200,000	-	200,000	-	-	-	400,000	24.3400	12.1700	25.2.2004 - 24.2.2009
Mr Roy Chi Ping Chung	28.6.2002	Scheme C	6,432,000	-	-	6,432,000	-	-	-	12,864,000	7.2000	3.6000	28.6.2002 - 27.6.2007
	19.9.2003	Scheme C	280,000	-	-	280,000	-	-	-	560,000	17.3700	8.6850	19.9.2003 - 18.9.2008
	25.2.2004	Scheme C	-	200,000	-	200,000	-	-	-	400,000	24.3400	12.1700	25.2.2004 - 24.2.2009
Mr Kin Wah Chan	19.9.2003	Scheme C	250,000	-	-	250,000	-	500,000	-	-	17.3700	8.6850	19.9.2003 - 18.9.2008
	25.2.2004	Scheme C	-	500,000	-	500,000	-	-	-	1,000,000	24.3400	12.1700	25.2.2004 - 24.2.2009
	1.3.2004	Scheme C	-	500,000	-	500,000	-	-	-	1,000,000	25.0500	12.5250	1.3.2004 - 28.2.2009
Mr Chi Chung Chan	17.7.2003	Scheme C	500,000	-	-	500,000	-	-	-	1,000,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	19.9.2003	Scheme C	250,000	-	-	250,000	-	-	-	500,000	17.3700	8.6850	19.9.2003 - 18.9.2008
	25.2.2004	Scheme C	-	500,000	-	500,000	-	-	-	1,000,000	24.3400	12.1700	25.2.2004 - 24.2.2009
	1.3.2004	Scheme C	-	250,000	-	250,000	-	-	-	500,000	25.0500	12.5250	1.3.2004 - 28.2.2009
Dr Akio Urakami	6.6.2001	Scheme B	250,000	-	250,000	-	-	-	-	-	2.0920	1.0460	6.6.2001 - 5.6.2006
	30.4.2002	Scheme C	250,000	-	-	250,000	-	500,000	-	-	6.4000	3.2000	30.4.2002 - 29.4.2007
	5.7.2002	Scheme C	100,000	-	-	100,000	-	200,000	-	-	6.7000	3.3500	5.7.2002 - 4.7.2007
	17.7.2003	Scheme C	150,000	-	-	150,000	-	300,000	-	-	15.2500	7.6250	17.7.2003 - 16.7.2008
	25.2.2004	Scheme C	-	150,000	-	150,000	-	-	-	300,000	24.3400	12.1700	25.2.2004 - 24.2.2009
Mr Vincent Ting Kau Cheung	30.4.2002	Scheme C	200,000	-	-	200,000	-	-	-	400,000	6.4000	3.2000	30.4.2002 - 29.4.2007
	17.7.2003	Scheme C	150,000	-	-	150,000	-	-	-	300,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	25.2.2004	Scheme C	-	50,000	-	50,000	-	-	-	100,000	24.3400	12.1700	25.2.2004 - 24.2.2009
Mr Joel Arthur Schleicher	30.4.2002	Scheme C	100,000	-	-	100,000	-	-	-	200,000	6.4000	3.2000	30.4.2002 - 29.4.2007
	17.7.2003	Scheme C	100,000	-	-	100,000	-	-	-	200,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	25.2.2004	Scheme C	-	50,000	-	50,000	-	-	-	100,000	24.3400	12.1700	25.2.2004 - 24.2.2009
Mr Christopher Patrick Langley	30.4.2002	Scheme C	100,000	-	100,000	-	-	-	-	-	6.4000	3.2000	30.4.2002 - 29.4.2007
	17.7.2003	Scheme C	100,000	-	-	100,000	-	-	-	200,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	25.2.2004	Scheme C	-	50,000	-	50,000	-	-	-	100,000	24.3400	12.1700	25.2.2004 - 24.2.2009
Total for directors			24,556,000	2,450,000	350,000	26,656,000	-	5,900,000	-	47,412,000			
Employees	23.7.2001	Scheme B	300,000	-	-	300,000	-	-	-	600,000	2.1160	1.0580	23.7.2001 - 22.7.2006
	30.4.2002	Scheme C	4,130,000	-	1,445,000	2,685,000	-	2,490,000	-	2,880,000	6.4000	3.2000	30.4.2002 - 29.4.2007
	5.7.2002	Scheme C	1,000,000	-	250,000	750,000	-	500,000	-	1,000,000	6.7000	3.3500	5.7.2002 - 4.7.2007
	6.6.2003	Scheme C	50,000	-	-	50,000	-	100,000	-	-	12.0800	6.0400	6.6.2003 - 5.6.2008
	10.6.2003	Scheme C	500,000	-	-	500,000	-	1,000,000	-	-	12.3500	6.1750	10.6.2003 - 9.6.2008
	17.7.2003	Scheme C	10,555,000	-	700,000	9,855,000	-	11,267,000	148,000	8,295,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	13.8.2003	Scheme C	30,000	-	-	30,000	-	60,000	-	-	16.1500	8.0750	13.8.2003 - 12.8.2008
	1.9.2003	Scheme C	32,000	-	-	32,000	-	24,000	-	40,000	17.6500	8.8250	1.9.2003 - 31.8.2008
	19.9.2003	Scheme C	102,000	-	-	102,000	-	-	-	204,000	17.3700	8.6850	19.9.2003 - 18.9.2008
	18.12.2003	Scheme C	74,000	-	-	74,000	-	-	-	148,000	20.7200	10.3600	18.12.2003 - 17.12.2008
	1.3.2004	Scheme C	-	5,683,000	-	5,683,000	-	-	340,000	11,026,000	25.0500	12.5250	1.3.2004 - 28.2.2009
	14.4.2004	Scheme C	-	100,000	-	100,000	-	-	-	200,000	25.9000	12.9500	14.4.2004 - 13.4.2009
	5.5.2004	Scheme C	-	150,000	-	150,000	-	-	-	300,000	22.1000	11.0500	5.5.2004 - 4.5.2009
	7.6.2004	Scheme C	-	-	-	-	-	200,000	-	200,000	-	12.0000	7.6.2004 - 6.6.2009
	25.6.2004	Scheme C	-	-	-	-	-	40,000	-	40,000	-	11.5000	25.6.2004 - 24.6.2009
10.8.2004	Scheme C	-	-	-	-	-	400,000	-	400,000	-	11.3000	10.8.2004 - 9.8.2009	
18.8.2004	Scheme C	-	-	-	-	-	60,000	-	60,000	-	11.2500	18.8.2004 - 17.8.2009	
2.10.2004	Scheme C	-	-	-	-	-	1,000,000	-	1,000,000	-	15.3500	2.10.2004 - 1.10.2009	
13.12.2004	Scheme C	-	-	-	-	-	250,000	-	250,000	-	15.7100	13.12.2004 - 12.12.2009	
Total for employees			16,773,000	5,933,000	2,395,000	20,311,000	1,950,000	15,441,000	488,000	26,643,000			
Others	30.4.2002	Scheme C	250,000	-	250,000	-	-	-	-	-	6.4000	3.2000	30.4.2002 - 29.4.2007
Total for all categories			41,579,000	8,383,000	2,995,000	46,967,000	1,950,000	21,341,000	488,000	74,055,000			
													Percentage to total Company's shares in issue at end of the year
Total under Scheme B			2,750,000	-	250,000	2,500,000	-	4,400,000	-	600,000			0.04%
Total under Scheme C			38,829,000	8,383,000	2,745,000	44,467,000	1,950,000	16,941,000	488,000	73,455,000			5.43%
Total			41,579,000	8,383,000	2,995,000	46,967,000	1,950,000	21,341,000	488,000	74,055,000			5.47%

Share Options *(continued)*

The closing prices of the Company's shares immediately before various dates of grant ranged from HK\$10.8 to HK\$15.5.

The weighted average closing prices of the Company's shares immediately before various dates on which the share options were exercised ranged for HK\$10.57 to HK\$16.70.

The fair values of the share options granted in current year measured as at the various dates of grant ranged from HK\$2.66 to HK\$3.63.

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
25.2.2004	3 years	35%	1.678%	1.5%
1.3.2004	3 years	35%	1.718%	1.5%
14.4.2004	3 years	35%	1.872%	1.5%
5.5.2004	3 years	35%	2.736%	1.5%
7.6.2004	3 years	35%	2.962%	1.5%
25.6.2004	3 years	35%	2.798%	1.5%
10.8.2004	3 years	35%	2.865%	1.5%
18.8.2004	3 years	35%	2.630%	1.5%
2.10.2004	3 years	35%	2.325%	1.5%
13.12.2004	3 years	35%	1.862%	1.5%

For the purposes of the calculation of fair value, no adjustment has been made in respect of share options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognized in the income statement in respect of the value of share options granted in the year.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above, 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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors' Interests in Contracts of Significance

No contract of significance, to which the 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' Interests in Shares

As at 31st December, 2004, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares ⁽¹⁾	Approximate aggregate percentage of interests
FMR Corp. ⁽²⁾	160,768,800	11.89%
J.P. Morgan Chase & Co. ⁽³⁾	136,509,220	10.09%

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) The capacity of FMR Corp. in holding the 160,768,800 shares was as Investment Manager.
- (3) The following is a breakdown of the interests in shares of J.P. Morgan Chase & Co.:

Name	Remarks	Total interests in shares		Approximate percentage of interests
		Direct interests	Deemed interests	
J.P. Morgan Chase & Co.	(a)	–	136,509,220	10.094%
JPMorgan Chase Bank, N.A.	(b)	44,197,815	–	3.268%
J.P. Morgan Fleming Asset Management Holdings Inc.	(b)	–	92,311,405	6.826%
J.P. Morgan Fleming Asset Management (Asia) Inc.	(b)	–	92,271,405	6.823%
JF International Management Inc.	(b)	270,000	–	0.020%
JF Asset Management Limited	(b)	83,197,405	5,504,000	6.559%
JF Funds Limited	(b)	–	5,504,000	0.407%
JF Asset Management (Taiwan) Limited	(b)	5,504,000	–	0.407%
Robert Fleming Holdings Ltd	(b)	–	40,000	0.003%
Robert Fleming Asset Management Ltd	(b)	–	40,000	0.003%
J.P. Morgan Fleming Asset Management (UK) Limited	(b)	40,000	–	0.003%
JF Asset Management (Singapore) Limited	(b)	3,300,000	–	0.244%

Substantial Shareholders' Interests in Shares *(continued)*

Remarks:

- (a) J.P. Morgan Chase & Co. is listed on the New York Stock Exchange.

The capacity of J.P. Morgan Chase & Co. in holding the 136,509,220 shares was, as to 92,311,405 shares, as Investment Manager and, as to 44,197,815 shares, as Custodian.

The 136,509,220 shares included a lending pool of 44,197,815 shares.

- (b) JPMorgan Chase Bank, N.A., J.P. Morgan Fleming Asset Management Holdings Inc., J.P. Morgan Fleming Asset Management (Asia) Inc., JF International Management Inc., JF Asset Management Limited, JF Funds Limited, JF Asset Management (Taiwan) Limited, Robert Fleming Holdings Ltd, Robert Fleming Asset Management Ltd, J.P. Morgan Fleming Asset Management (UK) Limited and JF Asset Management (Singapore) Limited, were all direct or indirect subsidiaries of J.P. Morgan Chase & Co. and by virtue of the SFO, J.P. Morgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, no person was interested in or had a short position in the shares or underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 31st December, 2004.

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 to the Rules governing the Listing of Securities on the Stock Exchange.

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 Appendix 10 to the Rules governing the Listing of Securities on the Stock Exchange (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed 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.

The Code of Best Practice has been replaced by the Code on Corporate Governance Practices and Corporate Governance Report (Appendices 14 and 23 to the Rules governing the Listing of Securities on the Stock Exchange) with effect from 1st January, 2005. Compliance of the new Code by the Company will be required for accounting periods commencing from 1st January, 2005.

Sufficiency of Public Float

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

Donations

During the year, the Group made charitable and other donations totalling HK\$1,340,000.

Post Balance Sheet Event

Details of significant event occurring after the balance sheet date is set out in note 38 to the financial statements.

Auditors

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

On behalf of the Board

Horst Julius Pudwill

Chairman and Chief Executive Officer

Hong Kong

7th April, 2005