

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries, associates and jointly controlled entity are principally engaged in investment holding, property investment and development, food businesses, property management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

The activities and other particulars of the principal subsidiaries, principal associates and principal jointly controlled entity are set out in the financial statements on pages 109 to 121, pages 122 to 123 and page 124, respectively.

There were no significant changes in the nature of these activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activity and geographical area for the year ended 31st December, 2004 is set out in Note 4 to the financial statements.

RESULTS AND DIVIDENDS

The results and details of cash flows of the Group for the year ended 31st December, 2004 and the state of affairs of the Group and the Company as at 31st December, 2004 are set out in the financial statements on pages 37 to 124.

No interim dividend was declared (2003 – Nil) and the Directors have resolved to recommend the payment of a final dividend of HK2 cents per share for the year ended 31st December, 2004 (2003 – HK2 cents per share). Total dividends for the year ended 31st December, 2004 will be HK2 cents per share (2003 – HK2 cents per share) amounting to approximately HK\$8,675,000 (2003 – HK\$8,748,000).

SUMMARY OF GROUP 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 ended 31st December, 2004 is set out on page 131.

GOODWILL

Details of movements in goodwill during the year are set out in Note 17 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets during the year are set out in Note 18 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties during the year are set out in Note 19 to the financial statements.

BANK LOANS AND OTHER BORROWING

Details of bank loans and other borrowing are summarised in Note 35 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 31 to the financial statements.

SHARE OPTION SCHEMES

Details of the share option schemes of the subsidiaries of the Company are set out in Note 32 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves during the year and details of the distributable reserves are set out in Note 33 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in Note 44 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 109 to 121.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$10,633,000 (2003 – HK\$11,388,000).

HONORARY CHAIRMAN

On 25th April, 2003, the Directors of the Company appointed Dr. Mochtar Riady ("Dr. Riady") as Honorary Chairman of the Company in recognition of Dr. Riady's valuable contribution to the Company during the previous years. Dr. Riady was not appointed as a director or officer of the Company, has no executive or management function within the Company and will not attend or vote at meetings of Directors. He will not have any involvement in the day-to-day management, oversight or other operation of the Company.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Stephen Riady (*Chairman*)
Mr. John Luen Wai Lee, J.P. (*Managing Director*)
Mr. Jark Pui Lee, O.B.E., J.P.
Mr. David T. Yeh

Non-executive Director

Mr. Leon Nim Leung Chan (re-designated as non-executive Director from independent non-executive Director on 30th September, 2004)

Independent non-executive Directors

Mr. Edwin Neo
Mr. King Fai Tsui (appointed on 30th September, 2004)
Mr. Victor Ha Kuk Yung (appointed on 30th September, 2004)

In accordance with Article 110 of the Company's Articles of Association, Messrs. King Fai Tsui and Victor Ha Kuk Yung will retire from office and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 120 of the Company's Articles of Association, Mr. Jark Pui Lee will retire from office by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company considers such Directors to be independent.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Stephen Riady, aged 44, has been the Chairman of the Company since 1991. He is also the Deputy Chairman and Managing Director of Lippo China Resources Limited ("LCR"), the Group Managing Director of Auric Pacific Group Limited ("APG") and a director of Hongkong Chinese Limited ("HCL"), Lanius Limited, Lippo Cayman Limited and Lippo Capital Limited. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region. Details of the interests of Mr. Stephen Riady in the Company are disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

Mr. John Luen Wai Lee, J.P., aged 56, has been the Managing Director of the Company since 1991. Mr. Lee is also a director of LCR, HCL and APG. He is an independent non-executive director of New World Development Company Limited and New World China Land Limited. He is a qualified accountant and was a partner of one of the leading international accounting firms in Hong Kong. He has extensive experience in corporate finance and capital markets. Mr. Lee holds public and community appointments in a number of boards and committees including the Broadcasting Authority, the Appeal Board on Closure Orders (Immediate Health Hazard), the Council of the City University of Hong Kong, the Solicitors Disciplinary Tribunal Panel and the Hospital Authority.

Mr. Jark Pui Lee, O.B.E., J.P., aged 65, was appointed a Director of the Company in 1992. He is also a director of The Hong Kong Building and Loan Agency Limited ("HKBLA"). Mr. Lee holds a Bachelor of Arts degree (Hons) from The University of Hong Kong. Mr. Lee worked for the Hong Kong Government and was the Secretary-General of The Chinese Manufacturers' Association of Hong Kong. He has served and contributed to the local community for over 30 years. Mr. Lee is currently the Chairman of The Legal Aid Services Council, The Agency for Volunteer Service and the Hong Kong Council of Volunteering.

Mr. David T. Yeh, aged 53, was appointed a Director of the Company in 1991. He is also a director of HKBLA. He holds a Bachelor of Arts degree from St. John's University in Minnesota, the United States of America. Mr. Yeh has over 20 years' experience in retail, commercial and merchant banking in Hong Kong and the United States of America.

Mr. Leon Nim Leung Chan, aged 49, was appointed an independent non-executive Director of the Company in 1997 and was re-designated as a non-executive director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and is a member of the Solicitors Disciplinary Tribunal. Mr. Chan was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He is also a non-executive director of LCR, HCL and HKBLA and an independent non-executive director of APG.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Mr. Edwin Neo, aged 55, was appointed an independent non-executive Director of the Company in March 2002. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. Mr. Neo is a practising lawyer and a notary public and is presently the sole proprietor of Hoosenally & Neo, Solicitors & Notaries. He is also an independent non-executive director of LCR.

Mr. King Fai Tsui, aged 55, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui is the managing director of a financial services company in Hong Kong. He has extensive experience in finance, management and investment management, particularly in investments in Mainland China. He worked for two leading audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accounting degree and a Bachelor of Business Administration degree with first class honours. Mr. Tsui is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He is also a member of the finance committee of the Construction Industry Training Authority in Hong Kong. Mr. Tsui is also an independent non-executive director of LCR, HCL, HKBLA and AcrossAsia Limited.

Mr. Victor Ha Kuk Yung, aged 51, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and has served in management positions in various multinational companies in Hong Kong, Mainland China, Taiwan and Singapore. He has also sat on the boards of several listed companies in Hong Kong and Singapore as their independent director and member of the audit committees. He is an independent non-executive director of Wanji Pharmaceutical Holdings Limited. He was appointed a member of the listings sub-committee of the Stock Exchange of Singapore from 1998 to 1999. Mr. Yung is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Certified Public Accountants of Singapore and the Association of Chartered Certified Accountants of the United Kingdom. He is also an independent non-executive director of LCR, HCL and HKBLA.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid individuals in the Group are set out in Notes 8 and 9 to the financial statements, respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December, 2004, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of 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 under 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 under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

1. Interests in shares of the Company and associated corporations

Name of Director	Personal interest (held as beneficial owner)	Family interest (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$0.10 each in the Company					
Stephen Riady	–	–	248,697,776 <i>Note (i)</i>	248,697,776	57.34
Jark Pui Lee	–	48	–	48	0.00
John Luen Wai Lee	825,000	–	–	825,000	0.19
Number of ordinary shares of HK\$0.10 each in Lippo China Resources Limited ("LCR")					
Stephen Riady	–	–	6,544,696,389 <i>Notes (i) and (ii)</i>	6,544,696,389	71.13
Number of ordinary shares of HK\$1.00 each in Hongkong Chinese Limited ("HCL")					
Stephen Riady	–	–	973,240,440 <i>Notes (i), (ii) and (iii)</i>	973,240,440	72.26
Jark Pui Lee	350	350	–	700	0.00
John Luen Wai Lee	200	200	–	400	0.00
King Fai Tsui	–	50,000	–	50,000	0.00

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)*

1. Interests in shares of the Company and associated corporations *(Continued)*

Note:

- (i) As at 31st December, 2004, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in an aggregate of 248,697,776 ordinary shares of HK\$0.10 each in, representing approximately 57.34 per cent. of, the issued share capital of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust included, inter alia, Mr. Stephen Riady and his minor children. Mr. Stephen Riady together with his minor children, as beneficiaries of the trust, were taken to be interested in Lippo Cayman under the SFO.
- (ii) As at 31st December, 2004, the Company was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.13 per cent. of, the issued share capital of LCR.
- (iii) As at 31st December, 2004, LCR was directly and indirectly interested in an aggregate of 973,240,440 ordinary shares of HK\$1.00 each in, representing approximately 72.26 per cent. of, the issued share capital of HCL.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)*

1. Interests in shares of the Company and associated corporations *(Continued)*

As at 31st December, 2004, Mr. Stephen Riady together with his minor children, as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note (i) above, were also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Multimedia Limited (now known as AcrossAsia Limited)	Ordinary shares	3,669,576,788	72.45
Actfield Limited	Ordinary shares	1	100
Boudry Limited	Ordinary shares	1,000	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000	88.88
First Bond Holdings Limited	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)*

1. Interests in shares of the Company and associated corporations *(Continued)*

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Lippo Investments Limited	Ordinary shares	2	100
Lippo Leisure Holdings Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Pointbest Limited	Ordinary shares	1	100
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
The HCB General Investment (Singapore) Pte Ltd.	Ordinary shares	70,000	70
The Hong Kong Building and Loan Agency Limited	Ordinary shares	168,313,038	74.80
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100

As at 31st December, 2004, Mr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK\$1.00 each in, representing 25 per cent. of, the issued share capital of Lanius which was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady, father of Mr. Stephen Riady, is the founder and the beneficiaries of the trust included, inter alia, Mr. Stephen Riady and his minor children.

As at 31st December, 2004, Mr. John Luen Wai Lee, as a beneficial owner, was also interested in 230,000 ordinary shares of HK\$0.10 each in, representing approximately 0.0045 per cent. of, the issued share capital of AcrossAsia Multimedia Limited (now known as AcrossAsia Limited), an associated corporation (within the meaning of Part XV of the SFO) of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)*

2. Interests in underlying shares of the Company's associated corporation

LCR

Name of Director	Capacity and nature of interest	Number of underlying shares of HK\$0.10 each in LCR in respect of which options have been granted*	Approximate percentage of the issued share capital
John Luen Wai Lee	Personal (held as beneficial owner)	9,000,000	0.09
David T. Yeh	Personal (held as beneficial owner)	9,000,000	0.09

* The options were granted on 23rd June, 1997 at a consideration of HK\$1.00 per grantee under the Share Option Scheme for Employees adopted by LCR (the "LCR Share Option Scheme"). Such options vested after two months from the date when the options were deemed to be granted and accepted and are exercisable from 23rd August, 1997 to 23rd June, 2007 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares in LCR at an initial exercise price of HK\$5.30 per share (subject to adjustment). Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each option is entitled to subscribe for six ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.883 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year and the quantity of options held by each of the above Directors as at 1st January, 2004 and 31st December, 2004 remained unchanged.

The above interests in the underlying shares of the Company were held pursuant to unlisted physically settled equity derivatives. As at 31st December, 2004, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Group solely for the purpose of holding the requisite qualifying shares.

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2004, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)*

Save as disclosed herein, as at 31st December, 2004, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted), were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31st December, 2004, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other person, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and/or as notified to the Company as follows:

Interests of substantial shareholders (as defined under the Listing Rules) and other person in shares of the Company

Name	Number of ordinary shares of HK\$0.10 each	Approximate percentage of the issued share capital
<i>Substantial shareholders:</i>		
Lippo Capital Limited ("Lippo Capital")	218,900,000	50.47
Lippo Cayman Limited ("Lippo Cayman")	248,697,776	57.34
Lanius Limited ("Lanius")	248,697,776	57.34
Dr. Mochtar Riady	248,697,776	57.34
Madam Lidya Suryawaty	248,697,776	57.34
Sun Hung Kai & Co. Limited ("SHK")	43,950,000	10.13
Allied Properties (H.K.) Limited ("APL")	43,950,000	10.13
Allied Group Limited ("AGL")	43,950,000	10.13
Lee and Lee Trust	43,950,000	10.13
<i>Other person:</i>		
Upstand Assets Limited ("UAL")	31,450,000	7.25

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE *(Continued)*

Interests of substantial shareholders (as defined under the Listing Rules) and other person in shares of the Company *(Continued)*

Note:

1. 218,900,000 ordinary shares of the Company were owned by Lippo Capital directly as beneficial owner. Lippo Cayman, through its wholly-owned subsidiaries, Lippo Capital, J & S Company Limited and Huge Returns Limited, was indirectly interested in 237,335,144 ordinary shares of the Company. Together with 11,362,632 ordinary shares of the Company owned by Lippo Cayman directly as beneficial owner, Lippo Cayman was interested in an aggregate of 248,697,776 ordinary shares in, representing approximately 57.34 per cent. of, the issued share capital of the Company.
2. Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. The beneficiaries of the trust included Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.
3. Lippo Cayman's interests in the ordinary shares of the Company were recorded as the interests of Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 248,697,776 ordinary shares in the Company related to the same block of shares that Mr. Stephen Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".
4. 31,450,000 ordinary shares of the Company were held by UAL directly as beneficial owner. SHK, through its wholly-owned subsidiaries, UAL, Cheeroll Limited ("Cheeroll") and Best Delta International Limited ("Best Delta"), was indirectly interested in an aggregate of 43,950,000 ordinary shares in, representing approximately 10.13 per cent. of, the issued share capital of the Company. Cheeroll was a wholly-owned subsidiary of Shipshape Investments Limited ("Shipshape") and Best Delta was a wholly-owned subsidiary of Sun Hung Kai Venture Capital Limited which in turn was a wholly-owned subsidiary of Shipshape. Shipshape was a wholly-owned subsidiary of SHK. SHK was a 74.99 per cent. owned subsidiary of AP Emerald Limited which in turn was wholly owned by AP Jade Limited. AP Jade Limited was a wholly-owned subsidiary of APL which in turn was a 74.79 per cent. owned subsidiary of AGL. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust, and they together owned 39.09 per cent. interest in AGL.

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2004, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors are considered to have interests in any business which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Connected transactions and/or continuing connected transactions disclosed in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are as follows:

- (A) On 16th December, 2002, the following tenancy agreements (the "Tenancy Agreements") were entered into between the group companies in respect of the letting of office premises:
- (1) a tenancy agreement was entered into between Superform Investment Limited ("Superform"), a wholly-owned subsidiary of Lippo China Resources Limited ("LCR") which in turn is a subsidiary of the Company, and the Company, pursuant to which Superform agreed to let to the Company a portion of 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of 11,028 square feet, for a term of two years from 1st January, 2003 to 31st December, 2004, both dates inclusive, at a monthly rental of HK\$176,448, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals;
 - (2) a tenancy agreement was entered into between Prime Power Investment Limited ("Prime Power"), a wholly-owned subsidiary of LCR, and Lippo Securities Holdings Limited ("Lippo Securities Holdings"), a wholly-owned subsidiary of Hongkong Chinese Limited ("HCL") which in turn is a subsidiary of LCR, pursuant to which Prime Power agreed to let to Lippo Securities Holdings Rooms 2302-2306, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of 12,038 square feet, for a term of two years from 18th January, 2003 to 17th January, 2005, both dates inclusive, at a monthly rental of HK\$192,608, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals;
 - (3) a tenancy agreement was entered into between Porbandar Limited ("Porbandar"), a wholly-owned subsidiary of LCR, and HCL, pursuant to which Porbandar agreed to let to HCL a portion of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of 3,676 square feet, for a term of two years from 16th September, 2002 to 15th September, 2004, both dates inclusive, at a monthly rental of HK\$60,654, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals;
 - (4) a tenancy agreement was entered into between Porbandar and ImPac Asset Management (HK) Limited ("ImPac"), now a wholly-owned subsidiary of HCL, pursuant to which Porbandar agreed to let to ImPac a portion of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of 1,203 square feet, for a term of two years from 12th August, 2002 to 11th August, 2004, both dates inclusive, at a monthly rental of HK\$19,368, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals; and

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

- (5) a tenancy agreement was entered into between Prime Power and The Hong Kong Building and Loan Agency Limited ("HKBLA"), a subsidiary of LCR, pursuant to which Prime Power agreed to let to HKBLA a portion of Room 2301, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, with a gross floor area of 3,316 square feet, for a term of two years from 1st February, 2003 to 31st January, 2005, both dates inclusive, at a monthly rental of HK\$55,709, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals.

Pursuant to the waiver granted by the Stock Exchange in February 2003, the independent non-executive Directors have confirmed that (i) the above tenancies were entered into in accordance with the terms of the relevant Tenancy Agreements by the relevant parties in the ordinary and usual course of their business; (ii) the above tenancies were undertaken on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and (iii) each of the rentals paid in respect of each of the Tenancy Agreements for the year did not exceed the cap amounts as stated in the above waiver. The auditors of the Company have also confirmed that (i) the Tenancy Agreements have received the approval of the relevant boards of directors; (ii) the Tenancy Agreements are in accordance with the pricing policies stated in the financial statements of the Company; (iii) the above tenancies were entered into in accordance with the terms of the Tenancy Agreements; and (iv) the rentals paid did not exceed the rentals as agreed in the Tenancy Agreements.

- (B) As a result of the completion (the "Completion") on 1st December, 2003 (the "Completion Date") of the acquisition (the "Acquisitions") of (i) 70 per cent. of the total issued and paid up capital of each of Auric Chun Yip Sdn. Bhd. ("ACY", formerly known as Elegant Logistics Sdn. Bhd.) and Auric Pacific Food Processing Sdn. Bhd. ("APFP", formerly known as Starry Delight Sdn. Bhd.) pursuant to the sale and purchase agreement dated 4th November, 2003 entered into between Chun Yip Trading Sdn. Bhd. ("CYT") and Sunbeam Food Sdn. Bhd. ("SFSB", together with CYT, collectively referred to as the "Malaysian Vendors") as the vendors and Auric Pacific (M) Sdn. Bhd. ("APM"), a wholly-owned subsidiary of Auric Pacific Group Limited ("APG") which in turn is a subsidiary of LCR, as the purchaser; and (ii) 75 per cent. of the total issued and paid up capital of Chunex Pte. Ltd. ("Chunex") pursuant to the sale and purchase agreement dated 4th November, 2003 entered into between Les Fromage Pte. Ltd. (formerly known as Chunex Trading Company Pte. Ltd.) as the vendor and APG Foods Pte. Limited ("APF"), a wholly-owned subsidiary of APG, as the purchaser, the following agreements and/or transactions constituted connected transactions and/or continuing connected transactions of the Company (as the case may be):

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

- (1) Trading arrangements were entered into between Chunex and Auric Pacific Marketing Pte. Ltd. ("APM(S)"), a wholly-owned subsidiary of APG (the "Chunex Arrangements"), details of which are as follows:

Parties		Description of Transactions	Products
Buyer	Seller		
Chunex	APM(S)	Chunex buys from APM(S) from time to time to resell, hence helping to enlarge the distribution of APM(S) products and strengthen Chunex's offerings to customers with a wider range of products	General foodstuff including jam
APM(S)	Chunex	Chunex may sell to APM(S) as and when need arises	General foodstuff

After Completion, the Chunex Arrangements constituted connected transactions under rule 14.23(1)(a) of the Listing Rules prior to the changes to such rules announced by the Stock Exchange on 30th January, 2004 becoming effective on 31st March, 2004 ("Previous Rules") by virtue of:

- (i) Chunex being an indirect non wholly-owned subsidiary of the Company and Mr. Wong Ah Kwong (also known as Wong Choon Kong) ("Mr. Wong Senior") continues to hold, after Completion and through SW Investments Holdings Pte. Ltd. ("SWIPL") (a company of which Mr. Wong Tziak Yoong (also known as Wang Tziak Yoong) ("Mr. Sean Wong"), his son, is the trustee and a wholly-owned subsidiary of SFSB), the remaining 25 per cent. of the total issued and paid up capital of Chunex;
- (ii) Mr. Wong Senior is the controlling shareholder of the Malaysian Vendors, which after Completion until 7th December, 2004 (the "Changed Shareholding Date"), being the date on which SFSB's shareholding interests in each of ACY and APFP was reduced from 30 per cent. to 25 per cent. (the "Changed Shareholding"), held the remaining 30 per cent. of the total issued and paid up capital of ACY and APFP; and
- (iii) Mr. Wong Senior is the father of Mr. Sean Wong who in turn holds the directorships in ACY, APFP and Chunex.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

The Chunex Arrangements however ceased to constitute connected transactions on 31st March, 2004, being the date on which the Previous Rules ceased to be effective and rule 14A.11(5) of the Listing Rules came into effect resulting in Chunex no longer constituting a connected person of the Company as a non wholly-owned subsidiary of the Company as only 25 per cent. of the total issued and paid up capital of Chunex is held by Mr. Wong Senior through his associate, SWIPL and each of Mr. Wong Senior and Mr. Sean Wong is only a connected person of the Company at the level of its subsidiaries.

The transactions entered into under the Chunex Arrangements for the period from 1st January, 2004 to 30th March, 2004 amounted to S\$3,600 (equivalent to approximately HK\$17,000).

- (2) (a) Trading arrangements were entered into between ACY, APFP and Chunex (the "Trading Arrangements"), details of which are as follows:

Parties		Description of Transactions	Products
Buyer	Seller		
ACY	APFP	APFP sells to ACY for resale	Margarine and butter products
APFP	ACY	ACY sells to APFP for resale	ACY imports raw ingredients and sells to APFP including anhydrous milk fat, milk powder, etc.
Chunex	ACY	Chunex may buy from ACY from time to time, usually when Chunex is facing stock-out and needs to replenish stock from ACY or when Chunex does not carry certain products customers require	General foodstuff
ACY	Chunex	ACY buys from Chunex from time to time usually when ACY is out of stock and needs to replenish stock from Chunex	General foodstuff

The transactions entered into under the Trading Arrangements for the period from 1st January, 2004 to the Changed Shareholding Date amounted to approximately HK\$3,922,000.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

- (b) A distribution agreement dated 17th January, 2005 was entered into between APM as the principal, and ACY as the distributor (the "Distribution Agreement") relating to the appointment of ACY as a distributor of APM for the resale of certain of its food products in Malaysia, for a term of three years with effect from the Completion Date unless terminated by APM.

Each purchase order from ACY will be made with the price determined by APM's price list in respect of the relevant products from time to time on normal commercial terms. There is no other fee payable to ACY as regard its appointment as APM's distributor. The terms of the Distribution Agreement have been arrived at between parties after arm's length negotiations and the transactions contemplated therein (including terms as regards the payment method and credit periods for the relevant products) have been, and will be, conducted on normal commercial terms.

ACY's purchases under the Distribution Agreement for the period from 1st January, 2004 to the Changed Shareholding Date amounted to approximately RM13,820,000 (equivalent to approximately HK\$27,640,000).

- (c) A manufacturing agreement dated 17th January, 2005 was entered into between APM and APM(S) as the purchaser and APFP as the manufacturer (the "Manufacturing Agreement") relating to the appointment of APFP to manufacture, pack and deliver certain dairy spread products for APM and APM(S), for a term of three years with effect from the Completion Date unless terminated by APM and APM(S).

The price for the products manufactured and supplied to APM and APM(S) will be calculated based on a formula referring to the cost of materials and contract manufacturing fee, such formulae may be varied on a quarterly basis to be agreed between parties. The terms of the Manufacturing Agreement have been arrived at between parties after arms length negotiations and the transactions contemplated therein (including terms as regards the payment method and credit periods for the relevant products) have been, and will be, conducted on normal commercial terms.

The transactions entered into pursuant to the Manufacturing Agreement for the period from 1st January, 2004 to the Changed Shareholding Date amounted to approximately HK\$14,863,000.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

The Trading Arrangements, the Distribution Agreement and the Manufacturing Agreement constituted connected transactions after Completion up to the Changed Shareholding Date by virtue of the counterparties to the Trading Arrangements (namely, ACY and APFP), the Distribution Agreement and the Manufacturing Agreement being associates of Mr. Wong Senior and Mr. Sean Wong (as applicable) under the Listing Rules as:

- (i) ACY, APFP and Chunex became indirect non wholly-owned subsidiaries of the Company after Completion;
- (ii) Mr. Wong Senior is the controlling shareholder of the Malaysian Vendors which after Completion until the Changed Shareholding Date, held the remaining 30 per cent. of the total issued and paid up capital of ACY and APFP. After the Changed Shareholding Date, the Malaysian Vendors' shareholding interests in each of ACY and APFP has been reduced to 25 per cent. of their respective total issued share capital which resulted in ACY and APFP ceasing to be an associate of a connected person of the Company (as such terms are defined in the Listing Rules) and therefore ceased to constitute a connected person;
- (iii) Mr. Wong Senior continues to hold, after Completion and through SWIPL, the remaining 25 per cent. of the total issued and paid up capital of Chunex; and
- (iv) Mr. Sean Wong was appointed a director of ACY, APFP and Chunex after Completion, and he in turn is the trustee of SWIPL which is interested in the remaining 25 per cent. of the total issued and paid up capital of Chunex and Mr. Wong Senior is the father of Mr. Sean Wong and therefore, would also be considered as an associate of a connected person of the Company under the Listing Rules.

The transactions contemplated under the Trading Arrangements, the Distribution Agreement and the Manufacturing Agreement constituted non-exempt connected transactions. However, after the Changed Shareholding Date and upon completion of the Changed Shareholding whereby SFSB's shareholding interest in each of ACY and APFP decreased from 30 per cent. to 25 per cent., neither of ACY nor APFP constituted associates of a connected person of the Company under the Listing Rules as a result of the Changed Shareholding. Accordingly, such transactions entered into pursuant to the Trading Arrangements, the Distribution Agreement and the Manufacturing Agreement ceased to constitute connected transactions under the Listing Rules after the Changed Shareholding Date.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

- (3) (a) A tenancy agreement dated 4th November, 2003 was entered into between ACY as the tenant and Mr. Wong Senior as the landlord (the "First ACY Tenancy Agreement") relating to the lease of a property located at 21 Jalan Mutiara Emas 7/2, Taman Mount Austin, 81100 Johor Bahru, Johor, Malaysia for use as a warehouse, with a gross floor area of approximately 2,400 square feet, for a period of three years commencing from 1st December, 2003 at a monthly rental of RM2,800 (equivalent to approximately HK\$5,600) with an option for ACY to renew the lease for a further three years after expiry of the initial three year term subject to rent payable at the prevailing market value of similar properties which shall not exceed 10 per cent. over and above the existing rent.
- (b) A tenancy agreement dated 4th November, 2003 was entered into between ACY as the tenant and Chun Yip Realty Sdn. Bhd, a subsidiary of CYT, as the landlord (the "Second ACY Tenancy Agreement") relating to the lease of a property located at lot 35, Jalan Delima 1/3, Subang Hi-Tech Industrial Park, Batu Tiga, 40000 Shah Alam, Selangor, Malaysia for use as a factory with office premises, with a gross floor area of approximately 33,867 square feet, for a period of three years commencing from 1st December, 2003 at a monthly rental of RM37,253.70 (equivalent to approximately HK\$74,507) with an option for ACY to renew the lease for a further three years after expiry of the initial three year term subject to rent payable at the prevailing market value of similar properties which shall not exceed 10 per cent. over and above the existing rent.
- (c) A tenancy agreement dated 4th November, 2003 was entered into between APFP as the tenant and Hamildon Sdn. Bhd. ("HSB"), a subsidiary of CYT, as the landlord (the "APFP Tenancy Agreement") relating to the lease of a property located at 6 Lorong SS 13/3F, Off Jalan SS 13/3, 47500 Subang Jaya, Selangor, Malaysia for use as a factory, with a gross floor area of 8,221 square feet and which is required for the business operations of APFP after Completion, for a period of two years commencing from 1st December, 2003 at a monthly rental of RM6,165.75 (equivalent to approximately HK\$12,332) with an option for APFP to renew the lease for a further two years after expiry of the initial two year term subject to rent payable at the prevailing market value of similar properties which shall not exceed 10 per cent. over and above the existing rent.

The monthly rentals payable under the First ACY Tenancy Agreement, the Second ACY Tenancy Agreement and the APFP Tenancy Agreement were arrived at after arm's length negotiations between the relevant parties on normal commercial terms and was determined by reference to such negotiations and prevailing market rents in respect of similar properties in similar locations and uses as provided by independent property valuers.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

- (4) Ongoing trading arrangements were entered into between (i) HSB, Kungsing Pte. Ltd. ("KPL"), 27 per cent. and approximately 15.65 per cent. beneficially owned by CTC and Mr. Wong Senior respectively, Chun Yip Bakery Mart Sdn. Bhd. ("CYBM"), a subsidiary of CYT; and (ii) ACY, Chunex and APM(S) (as the case may be) (the "Ongoing Arrangements"), details of which are as follows:

Ongoing Arrangements where subsidiaries of APG are buyers:

Parties		Description of Transactions	Products
Buyer	Seller		
ACY	HSB	ACY buys from HSB and resells to customers	Cake cases-packaging for cake and pastry items
ACY	KPL	KPL sells to ACY for resale	General foodstuff, mainly baking ingredients

Ongoing Arrangements where subsidiaries of APG are sellers:

Parties		Description of Transactions	Products
Buyer	Seller		
CYBM	ACY	ACY sells a range of baking ingredients to CYBM, a retailer in baking ingredients to housewives and petty traders	Comprehensive range of baking ingredients including cake mixes, sultanas, flavour and colours, dairy products, yeast and baking powder
KPL	ACY	ACY sells to KPL for resale	General foodstuff, mainly baking ingredients
KPL	Chunex	Chunex sells to KPL as it uses the latter as a wholesaler for its ingredient business	General foodstuff including baking powder, dried fruits, cherries and dairy products
KPL	APM(S)	APM(S) sells to KPL as it uses the latter as a wholesaler for its ingredient business	General foodstuff including baking powder, dried fruits, cherries and dairy products

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

A standard supply agreement has been entered into on 17th January, 2005 between each of the buying and selling parties set out above in relation to the Ongoing Arrangements for a fixed period of three years commencing on 1st December, 2003, unless terminated by the relevant parties by giving written notice to the other of the relevant agreement with varying written notice periods as regards each relevant supply agreement. The relevant buyer may provide the relevant seller with forecasts for a fixed period as to its requirements for each of the products specified under the relevant supply agreement on its date of commencement and on each anniversary of such date for information purposes only, where required to do so by the relevant seller. The relevant parties may by agreement in writing vary the products and its specifications under the standard supply agreement. Orders for the products will be placed on as "as needed" basis on standard terms and conditions of sale.

The price of the products are specified in each standard supply agreement and determined by reference to the quantity, price and specifications of the relevant products from time to time but may be changed upon mutual agreement between the relevant parties.

The aggregate values of transactions entered into in respect of the Ongoing Arrangements for the year ended 31st December, 2004 were as follows:

Ongoing Arrangements where subsidiaries of APG are buyers	equivalent to approximately HK\$413,000
Ongoing Arrangements where subsidiaries of APG are sellers	equivalent to approximately HK\$4,412,000

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

- (5) A consultancy agreement dated 4th November, 2003 was entered into between ACY and SFSB in respect of the non-exclusive provision of consultancy services by Mr. Wong Senior as the designated consultant of SFSB to ACY for a period from 1st December, 2003 to 31st December, 2005 at a monthly fee of RM26,300 (equivalent to approximately HK\$52,600) together with any incidental expenses incurred. The monthly consultancy fees payable by ACY were arrived at after arm's length negotiations between ACY and SFSB on commercial terms by reference to the services to be provided by SFSB to ACY to facilitate the smooth transition of the businesses transferred to the APG group from the CYT group after the Completion and to tap the experience with which SFSB has had in the business of ACY, APFP and Chunex. As a result of the entering into of the above consultancy agreement, a trust and confidence agreement dated 4th November, 2003 was entered into between ACY and Mr. Wong Senior whereby any inventions created by Mr. Wong Senior and all intellectual rights in such invention shall belong to ACY. Mr. Wong Senior will be subject to non-competition provisions during the term of the above consultancy agreement. Non-solicitation and non-competition provisions will also be applicable at any time after termination of such agreement in any place within Malaysia, Singapore or any other country in which the APG group has operations from time to time. However, such non-competition provisions may not apply if ACY's prior written consent have been obtained to waive such provisions and the relevant country is not Malaysia or Singapore. Furthermore, the term of the above trust and confidence agreement shall remain effective for the duration of the consultancy agreement and until the expiry of two years after the date on which SFSB shall cease to be engaged as a consultant to ACY under such consultancy agreement (the "Consultancy Arrangements").

(Chunex Arrangements, Trading Arrangements, Distribution Agreement, Manufacturing Agreement, First ACY Tenancy Agreement, Second ACY Tenancy Agreement, APFP Tenancy Agreement, Ongoing Arrangements and Consultancy Arrangements, collectively referred to as the "Aggregate Connected Transactions").

The independent non-executive Directors have confirmed that the Aggregate Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the above relevant agreements 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 also confirmed that (i) the Aggregate Connected Transactions have received the approval of the Board of Directors of the Company; (ii) the transactions pertaining to the Aggregate Connected Transactions were entered into in accordance with the terms of the respective agreements and (iii) where applicable, the pricing policies of the Group; and (iv) the Aggregate Connected Transactions did not exceed the caps as disclosed in the announcement dated 25th January, 2005.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

(C) Prior to the changes to the Listing Rules which became effective on 31st March, 2004, the following loans were provided:

- (1) On 5th January, 2004, a loan agreement was made between APF and Chunex in respect of a shareholder's loan in the principal sum of S\$1,500,000 (equivalent to approximately HK\$6,844,000) advanced to Chunex by APF in proportion to APF's interest in Chunex for its working capital. The shareholder's loan is unsecured, carries interest at a rate of 4 per cent. per annum and has no fixed term of repayment. SWIPL, holding the remaining interest in Chunex, also provided proportionate shareholder's loan to Chunex with the same terms as APF.
- (2)
 - (i) On 7th January, 2004, APM advanced a shareholder's loan in the principal sum of RM8,400,000 (equivalent to approximately HK\$17,160,000) to ACY, in proportion to APM's interest in ACY for its working capital. The shareholder's loan is unsecured and has no fixed term of repayment. The shareholder's loan is currently interest-free until and unless mutually agreed between APM and ACY.
 - (ii) On 7th January, 2004, APM advanced a shareholder's loan in the principal sum of RM2,520,000 (equivalent to approximately HK\$5,148,000) to APFP, in proportion to APM's interest in APFP for its working capital. The shareholder's loan is unsecured and has no fixed term of repayment. The shareholder's loan is currently interest-free until and unless mutually agreed between APM and APFP.

SFSB, holding the remaining interest in ACY and APFP, also provided proportionate shareholder's loan to each of ACY and APFP with the same terms as provided by APM.

Save as disclosed herein and in Note 43 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.

DIRECTORS' SERVICE CONTRACTS

No Director of the Company 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 employing company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company had repurchased a total of 4,295,000 shares of HK\$0.10 each in the Company on The Stock Exchange of Hong Kong Limited, all of which were subsequently cancelled. Particulars of the aforesaid repurchases are as follows:

Month	Number of shares of HK\$0.10 each repurchased	Price per share or highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Total price paid before expenses <i>HK\$</i>
February	625,000	2.475	1.80	1,301,000
May	3,670,000	1.80	N/A	6,606,000
	<u>4,295,000</u>			<u>7,907,000</u>

Save as disclosed herein, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and that of sales attributable to the Group's five largest customers combined were less than 30 per cent. of the Group's aggregate purchases and sales, respectively.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group and the employer's retirement benefits costs charged to the consolidated profit and loss account for the year are set out in Note 10 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") in compliance with rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. On 30th September, 2004, Messrs. King Fai Tsui and Victor Ha Kuk Yung, who were appointed independent non-executive Directors of the Company, were appointed as members of the Committee. The members of the Committee comprises four non-executive Directors, namely Messrs. Victor Ha Kuk Yung, King Fai Tsui, Leon Nim Leung Chan and Edwin Neo. The Committee meets regularly. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited financial statements for the year ended 31st December, 2004.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31st December, 2004, except that the non-executive Directors (other than the two independent non-executive Directors appointed during the year with a term of two years) were not appointed for a specific term as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code for securities transactions by Directors during the year. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

The financial statements for the year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

John Luen Wai Lee

Managing Director

Hong Kong, 22nd April, 2005