



The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associate and jointly controlled entities are set out in notes 16, 17 and 18 to the financial statements respectively.

## RESULTS

The results of the Group for the year ended 31 December 2004 and the state of affairs of the Group at that date are set out in the financial statements on pages 34 to 86.

## INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 13 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 25 to the financial statements.

## RESERVES

Details of movements in the reserves of the Company during the year are set out in note 27 to the financial statements.

## Report of the Directors

### DIRECTORS

The directors of the Company during the year were as follows:

Cao Zhong	
Zhang Wenhui	<i>(appointed on 26 July 2004)</i>
Luo Zhenyu	
Tzu San Te	<i>(appointed on 9 June 2004)</i>
Yuan Wenxin	<i>(appointed on 6 January 2004)</i>
Tse Chun Sing	
Chen Jang Fung	
Leung Shun Sang, Tony	
Chan Wah Tip, Michael	
Choy Hok Man, Constance	
Kan Lai Kuen, Alice*	<i>(appointed on 30 September 2004)</i>
Kwan Bo Ren, Dick*	<i>(appointed on 30 September 2004)</i>
Wong Kun Kim*	<i>(appointed on 30 September 2004)</i>
Yu Jian	<i>(resigned on 9 June 2004)</i>
Xu Xianghua	<i>(resigned on 13 April 2004)</i>
Liu Wei	<i>(resigned on 30 September 2004)</i>

\* *Independent non-executive directors*

Subsequent to the balance sheet date, Mr. Luo Zhenyu resigned as a director of the Company with effect from 12 January 2005.

In accordance with clauses 94 and 103(A) of the Company's articles of association, Mr. Zhang Wenhui, Mr. Tzu San Te, Mr. Tse Chun Sing, Mr. Chan Wah Tip, Michael, Ms. Kan Lai Kuen, Alice, Mr. Kwan Bo Ren, Dick and Mr. Wong Kun Kim will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

### DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The directors of the Company who held office at 31 December 2004 had the following interests in the shares and underlying shares of the Company at the balance sheet date as recorded in the register required to be kept under Section 352 of the Securities and Futures 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 Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

### Long positions in the shares and underlying shares of the Company

Name of director	Capacity in which interests are held	Number of shares / underlying shares held in the Company			Total interests as to % to the issued share capital as at 31.12.2004
		Interests in shares	Interests under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	3,270,078	40,132,000	43,402,078	3.62%
Luo Zhenyu**	Beneficial owner	3,270,078	18,083,000	21,353,078	1.78%
Tzu San Te	Beneficial owner	-	9,632,000	9,632,000	0.80%
Yuan Wenxin	Beneficial owner	1,635,300	11,982,000	13,617,300	1.14%
Tse Chun Sing	Beneficial owner	-	11,434,000	11,434,000	0.95%
Leung Shun Sang, Tony	Beneficial owner	3,269,810	8,016,000	11,285,810	0.94%
Chan Wah Tip, Michael	Beneficial owner	-	400,000	400,000	0.03%
Choy Hok Man, Constance	Beneficial owner	558,000	-	558,000	0.05%

\* Unlisted cash settled options were granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK\$0.25 each in the share capital of the Company are issuable. The share options are personal to the respective directors. Further details of the share options are set out in the section headed "Share Option Schemes" below.

\*\* Mr. Luo Zhenyu resigned as a director of the Company on 12 January 2005.

Save as disclosed above, at the balance sheet date, none of the Company's directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contracts of significance to which the Company 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.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

During the year, no director has been recorded as having interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO

At the balance sheet date, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

### Long positions in the shares and underlying shares of the Company

Name of shareholder	Capacity in which interest are held	Number of shares held in the Company		Total interests as to % to the issued share capital as at 31.12.2004	Note(s)
		Interests in shares (other than equity derivatives)	Interests under cash settled unlisted equity derivatives		
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Beneficial owner, interests of controlled corporations	481,129,020	71,515,152	46.09%	1
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	–	19.31%	1
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	–	14.18%	1
Prime Success Investments Limited ("Prime Success")	Beneficial owner	79,569,800	–	6.64%	1
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	124,069,394	–	10.35%	2, 3
Max Same Investment Limited ("Max Same")	Beneficial owner	107,654,173	–	8.98%	2
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	124,069,394	–	10.35%	3

## Report of the Directors

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO (continued)

### Long positions in the shares and underlying shares of the Company (continued)

Name of shareholder	Capacity in which interest are held	Number of shares held in the Company		Total interests as to % to the issued share capital as at 31.12.2004	Note(s)
		Interests in shares (other than equity derivatives)	Interests under cash settled unlisted equity derivatives		
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	124,069,394	–	10.35%	3
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	124,069,394	–	10.35%	3
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	124,069,394	–	10.35%	3

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO (continued)

### Short positions in the shares and underlying shares of the Company

Name of shareholder	Capacity in which interest are held	Number of shares held in the Company under physically settled unlisted equity derivatives	% to the issued share capital as at 31.12.2004	Note(s)
Cheung Kong	Interests of controlled corporations	71,515,152	5.96%	2, 3
Max Same	Beneficial owner	71,515,152	5.96%	2
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	71,515,152	5.96%	3
TUT1	Trustee	71,515,152	5.96%	3
TDT1	Trustee, beneficiary of a trust	71,515,152	5.96%	3
TDT2	Trustee, beneficiary of a trust	71,515,152	5.96%	3

#### Notes:

1. Asset Resort, Wheeling and Prime Success all were wholly-owned subsidiaries of Shougang Holding and their respective interests were included in the interests held by Shougang Holding.
2. Max Same was a wholly-owned subsidiary of Cheung Kong and its interest was included in the interests held by Cheung Kong.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO (continued)

Notes: (continued)

- Li Ka-Shing Unity Holdings Limited (“Unity Holdco”), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust (“UT1”), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and TDT2 as trustee of another discretionary trust (“DT2”). Each of TDT1 and TDT2 held units in UT1.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

Save as disclosed above, at the balance sheet date, the Company has not been notified of any other person (other than the directors and chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTION SCHEMES

### *Share option scheme of the Company*

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The Scheme will remain in force for a period of 10 years commencing on 7 June 2002, being the date of adoption of the Scheme, to 6 June 2012.

Under the Scheme, the directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who, in the sole discretion of the directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.



## SHARE OPTION SCHEMES (continued)

### *Share option scheme of the Company (continued)*

The total number of shares which may be issued upon exercise of all outstanding share options granted under the Scheme is 170,811,000 which represents 14.25% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares available for issue upon exercise of all share options which may be granted under the Scheme is 103,388,358, representing 8.62% of the issued share capital of the Company as at the date of this annual report. The total number of shares issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK\$5 million (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The period during which a share option may be exercised will be determined by the directors of the Company at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors of the Company are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK\$1 as consideration for the grant of share options in accordance with the Scheme. The offer of a grant of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

## Report of the Directors

**SHARE OPTION SCHEMES** (continued)*Share option scheme of the Company* (continued)

Details of movements in the share options under the Scheme during the year were as follows:

Category of grantees	Options to subscribe for shares of the Company							Date of grant	Exercise period	Exercise price per share
	At the beginning of the year	Transferred from other category during the year	Transferred to other category during the year	Granted during the year <sup>9</sup>	Exercised during the year <sup>10</sup>	Lapsed during the year	At the end of the year			
<b>Directors of the Company</b>										
Cao Zhong	8,026,000	-	-	-	-	-	8,026,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	32,106,000 <sup>7</sup>	-	-	-	-	-	32,106,000 <sup>7</sup>	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	40,132,000	-	-	-	-	-	40,132,000			
Luo Zhenyu <sup>1</sup>	6,043,000	-	-	-	-	-	6,043,000	14.3.2003	14.3.2003 – 13.3.2013	HK\$0.495
	12,040,000 <sup>7</sup>	-	-	-	-	-	12,040,000 <sup>7</sup>	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	18,083,000	-	-	-	-	-	18,083,000			
Tzu San Te <sup>2</sup>	-	9,632,000 <sup>7</sup>	-	-	-	-	9,632,000 <sup>7</sup>	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
Yuan Wenxin <sup>3</sup>	-	-	-	11,982,000	-	-	11,982,000	18.3.2004	18.3.2004 – 17.3.2014	HK\$1.200
Tse Chun Sing	4,000,000	-	-	-	(3,000,000)	-	1,000,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	10,434,000 <sup>7</sup>	-	-	-	-	-	10,434,000 <sup>7</sup>	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	14,434,000	-	-	-	(3,000,000)	-	11,434,000			

**SHARE OPTION SCHEMES** (continued)**Share option scheme of the Company** (continued)

Category of grantees	Options to subscribe for shares of the Company							Date of grant	Exercise period	Exercise price per share
	At the beginning of the year	Transferred from other category during the year	Transferred to other category during the year	Granted during the year <sup>2</sup>	Exercised during the year <sup>10</sup>	Lapsed during the year	At the end of the year			
<b>Directors of the Company</b> (continued)										
Leung Shun Sang, Tony	4,816,000	-	-	-	-	-	4,816,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	3,200,000	-	-	-	-	-	3,200,000	14.3.2003	14.3.2003 – 13.3.2013	HK\$0.495
	8,016,000	-	-	-	-	-	8,016,000			
Chan Wah Tip, Michael	400,000	-	-	-	-	-	400,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
Choy Hok Man, Constance	400,000	-	-	-	(400,000)	-	-	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
Yu Jian <sup>4</sup>	8,026,000	-	(8,026,000)	-	-	-	-	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	16,052,000 <sup>7</sup>	-	(16,052,000) <sup>7</sup>	-	-	-	-	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	24,078,000	-	(24,078,000)	-	-	-	-			
Xu Xianghua <sup>5</sup>	8,026,000	-	(8,026,000)	-	-	-	-	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
Liu Wei <sup>6</sup>	400,000	-	-	-	(400,000)	-	-	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	113,969,000	9,632,000	(32,104,000)	11,982,000	(3,800,000)	-	99,679,000			

## Report of the Directors

## SHARE OPTION SCHEMES (continued)

## Share option scheme of the Company (continued)

Category of grantees	Options to subscribe for shares of the Company							Date of grant	Exercise period	Exercise price per share
	At the beginning of the year	Transferred from other category during the year	Transferred to other category during the year	Granted during the year <sup>9</sup>	Exercised during the year <sup>10</sup>	Lapsed during the year	At the end of the year			
<b>Other individuals with options granted in excess of limit</b>										
Tzu San Te <sup>2</sup>	9,632,000 <sup>7</sup>	-	(9,632,000) <sup>7</sup>	-	-	-	-	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
Yu Jian <sup>4</sup>	-	8,026,000	-	-	-	-	8,026,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	-	16,052,000 <sup>7</sup>	-	-	-	-	16,052,000 <sup>7</sup>	13.10.2003	13.10.2003 – 12.10.2013	HK\$0.700
	-	24,078,000	-	-	-	-	24,078,000			
	9,632,000	24,078,000	(9,632,000)	-	-	-	24,078,000			
<b>Other employees of the Group</b>										
	4,824,000 <sup>8</sup>	-	(402,000) <sup>8</sup>	-	(1,500,000) <sup>8</sup>	-	2,922,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	2,000	-	-	-	-	-	2,000	14.3.2003	14.3.2003 – 13.3.2013	HK\$0.495
	4,826,000	-	(402,000)	-	(1,500,000)	-	2,924,000			
<b>Other participants<sup>5</sup></b>										
	24,078,000	8,428,000 <sup>8</sup>	-	-	-	(402,000) <sup>8</sup>	32,104,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	8,026,000	-	-	-	-	-	8,026,000	14.3.2003	14.3.2003 – 13.3.2013	HK\$0.495
	-	-	-	4,000,000	-	-	4,000,000	18.3.2004	18.3.2004 – 17.3.2014	HK\$1.200
	32,104,000	8,428,000	-	4,000,000	-	(402,000)	44,130,000			
	160,531,000	42,138,000	(42,138,000)	15,982,000	(5,300,000)	(402,000)	170,811,000			

## SHARE OPTION SCHEMES (continued)

### *Share option scheme of the Company* (continued)

Notes:

1. Mr. Luo Zhenyu resigned as a director of the Company on 12 January 2005.
2. Mr. Tzu San Te was appointed as a director of the Company on 9 June 2004. The share options granted to Mr. Tzu were re-classified from the category of "Other individuals with options granted in excess of limit" to the category of "Directors of the Company" during the year.
3. Mr. Yuan Wenxin was appointed as a director of the Company on 6 January 2004.
4. Mr. Yu Jian resigned as a director of the Company on 9 June 2004. The share options granted to Mr. Yu remain exercisable up to the original respective expiry dates and were re-classified from the category of "Directors of the Company" to the category of "Other individuals with options granted in excess of limit" during the year.
5. Ms. Xu Xianghua resigned as a director of the Company on 13 April 2004. The share options granted to Ms. Xu remain exercisable up to the original expiry date and were re-classified from the category of "Directors of the Company" to the category of "Other participants" during the year.
6. Mr. Liu Wei resigned as a director of the Company on 30 September 2004.
7. The number of share options granted to Mr. Cao Zhong, Mr. Luo Zhenyu, Mr. Tzu San Te, Mr. Tse Chun Sing and Mr. Yu Jian on 13 October 2003 each exceeded the individual limit of 1% of the shares of the Company then in issue and were approved by the shareholders of the Company on 13 October 2003.
8. Included in the balance at the beginning of the year were 802,000 share options held by a grantee who ceased to be an employee of the Company on 28 January 2004. A total of 400,000 share options were exercised by this grantee on 9 January 2004. The balance of 402,000 share options held by this grantee remained exercisable up to 24 December 2004 and were re-classified from the category of "Other employees of the Group" to the category of "Other participants" following her resignation. Such options were lapsed on 25 December 2004.

## Report of the Directors

### SHARE OPTION SCHEMES (continued)

#### *Share option scheme of the Company* (continued)

Notes: (continued)

9. (a) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$ 1.160 per share.  
  
(b) The directors consider that it is not appropriate to state herein the value of the share options granted during the year. Any such valuation will be made on the basis of certain options pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. The directors believe that any calculation of the value of the share options as at 31 December 2004 based on a number of speculative assumptions would not be meaningful and would be misleading to the shareholders of the Company.
  
10. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$1.295 per share.

No share option granted under the Scheme was cancelled during the year.

The share options granted on 13 October 2003 are exercisable subject to a vesting scale which shall commence on the date of grant in tranches of 25% each year reaching 100% from 13 October 2006. All other share options granted were vested in full at the date of grant.

The share options granted under the Scheme are not recognised in the financial statements until they are exercised.

#### *Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited*

Remarkable Mask Technology Company Limited (“Remarkable”) (formerly known as Remarkable Limited), an indirect wholly-owned subsidiary of the Company, has approved a share option scheme (the “Remarkable Scheme”) by a shareholder’s resolution passed on 10 May 2004. The Remarkable Scheme was subject to the approval of the shareholders of the Company and has become effective on 8 June 2004 as a result of the passing of an ordinary resolution approving the same by the shareholders of the Company at its extraordinary general meeting held on the same day.

The purpose of the Remarkable Scheme is to enable Remarkable to grant share options to selected participants as incentives or rewards for their contribution to Remarkable or its subsidiaries or its associated companies. The Remarkable Scheme will remain in force for a period of 10 years commencing on 8 June 2004, being the date on which the Remarkable Scheme was approved by the shareholders of the Company, to 7 June 2014.

## SHARE OPTION SCHEMES (continued)

### *Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited (continued)*

Under the Remarkable Scheme, the directors of Remarkable may, at their absolute discretion, offer directors or proposed directors (including executive, non-executive and independent non-executive directors), employees or proposed employees (whether full-time or part-time), suppliers and customers of Remarkable or any of its subsidiaries or any of its associated companies, persons or entities that provide consultancy, advices, research, development or other technological support to Remarkable or any of its subsidiaries or any of its associated companies, partners or business associates and shareholders of Remarkable or any of its subsidiaries or any of its associated companies or holders of any securities issued by Remarkable or any of its subsidiaries or any of its associated companies share options to subscribe for shares of Remarkable, provided always that such determination shall be subject to the approval of the directors of the Company or any committee duly constituted thereof. Any person who is proposed to be a grantee and who happens to be also a director of the Company shall abstain from voting on any resolution in respect of such approval.

No share option to subscribe for shares of Remarkable was granted by virtue of the Remarkable Scheme during the year.

The total number of shares available for issue upon exercise of all share options which may be granted under the Remarkable Scheme is 3,300,000, representing 10% of the issued share capital of Remarkable as at the date of this annual report. The total number of shares issued and to be issued upon the exercise of share options granted under the Remarkable Scheme (including both exercised and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of Remarkable as at the date of grant. Any further grant of share options in excess of this limit is subject to the approval of shareholders of the Company in a general meeting with such grantees and their associates (as defined in the Listing Rules) abstaining from voting. Share options granted to directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company (excluding independent non-executive directors who are the grantees). In addition, any share options granted to substantial shareholders or independent non-executive directors of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of Remarkable in issue (based on the date of offer) and an aggregate value of HK\$5 million (based on the closing price of the shares of Remarkable at the date of each offer), within any 12-month period, are subject to the approval of shareholders of the Company in advance in a general meeting in which all connected persons (as defined in the Listing Rules) of the Company must abstain from voting.

## Report of the Directors

### SHARE OPTION SCHEMES (continued)

#### *Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited* (continued)

The period during which a share option may be exercised will be determined by the directors of Remarkable at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Remarkable Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors of Remarkable are empowered to impose at their discretion any such minimum period at the time of grant of any share options, provided always that such conditions shall be subject to the approval of the directors of the Company or any committee duly constituted thereof.

The exercise price in relation to each share option will be determined by the directors of Remarkable at their discretion and shall not be less than the nominal value of the shares of Remarkable and shall be subject to the approval of the directors of the Company or any committee duly constituted thereof. The exercise price in respect of each share option granted after the Company has contemplated a separate listing of Remarkable on the main board or the Growth Enterprise Market ("GEM") of the Stock Exchange or an overseas stock exchange and up to the listing date of Remarkable must be not lower than the new issue price (if any) of the shares of Remarkable. In the event that Remarkable is separately listed on the main board or the GEM of the Stock Exchange or an overseas stock exchange, the Remarkable Scheme will continue to have effect pursuant to the terms thereof and the exercise price of each share option in respect of an offer made after such listing shall be at least the highest of (i) the closing price of shares of Remarkable as stated in the stock exchange's daily quotations on the date of offer of share options; (ii) the average closing price of shares of Remarkable as stated in the stock exchange's daily quotations for the five business days immediately preceding the date of offer of share options (and for the purpose of calculating the exercise price where Remarkable has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing); and (iii) the nominal value of the shares of Remarkable.

Each of the grantees is required to pay HK\$1 as consideration for the grant of share options in accordance with the Remarkable Scheme. The offer of a grant of share options must be accepted within 28 days from the date of the offer. Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.



## DISTRIBUTABLE RESERVES

At the balance sheet date, the Company did not have any reserves available for distribution as calculated in accordance with provisions of Section 79B of the Company Ordinance.

The Company's capital reserve represents a non-distributable reserve.

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the largest one and five largest customers accounted for 14.37% and 35.08% respectively of the total sales for the year. Business from the largest one and five largest suppliers accounted for 15.98% and 32.14% respectively of the total purchases for the year.

## CONNECTED TRANSACTIONS

As stated in the announcement of the Company dated 4 May 2004, Santai Manufacturing Limited ("Santai Manufacturing"), a wholly-owned subsidiary of the Company, would purchase copper sheets and brass sheets on a continuing basis from both Hing Cheong Metals (China & Hong Kong) Limited ("Hing Cheong") and Meta International Limited ("Meta International"), both wholly-owned subsidiaries of Shougang Concord Century Holdings Limited of which the controlling shareholder of the Company, Shougang Holding, is also a substantial shareholder. As it was forecasted that the aggregate amount of such transactions would not exceed the higher of either HK\$10,000,000 or 2.5% of each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, such transactions would constitute continuing connected transactions of the Company under Rule 14A.34 of the Listing Rules and would be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The abovesaid transactions which took place during the year under review were entered into in the ordinary and usual course of business of Santai Manufacturing and were conducted on normal commercial terms. Details of such transactions for the financial year ended 31 December 2004 are set out in note 35(vii) to the financial statements under the heading "Related Party Transactions".

Save as aforesaid and as far as the transactions which took place in the year are concerned, the transactions as set out in notes 35(i) to 35(iii) to the financial statements under the heading "Related party transactions" were connected transactions which were exempt from any disclosure and shareholders' approval requirement under the Listing Rules. The transactions as set out in notes 35(iv) to 35(vi) and 35(viii) to the financial statements under the heading "Related Party Transactions" did not constitute connected transactions.

## Report of the Directors

### CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005 throughout the year covered by this annual report, except in relation to paragraph 7, as the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Company's articles of association.

### AUDIT COMMITTEE

The Company has an audit committee which was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants in December 1997. The Audit Committee comprises two non-executive directors and the three independent non-executive directors, namely Mr. Chan Wah Tip, Michael, Ms. Choy Hok Man, Constance, Ms. Kan Lai Kuen, Alice, Mr. Kwan Bo Ren, Dick and Mr. Wong Kun Kim. Its principal duties include the review of the Company's financial reporting process, internal controls and the results of the Group. A meeting of the Audit Committee was held on 12 April 2005 for, amongst other things, reviewing the final results of the Group for the financial year ended 31 December 2004.

### AUDITORS

Messrs. Deloitte Touche Tohmatsu was appointed as auditors of the Company in place of Messrs. Ernst & Young upon their retirement at the annual general meeting of the Company held on 25 June 2003. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By Order of the Board

**Cao Zhong**

*Chairman*

Hong Kong, 18 April 2005