

Report of Directors

- ▶ The directors present report and the audited financial statement of the Company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 21 of the annual report.

The Directors do not recommend the payment of any final dividend.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2004, as set out in note 13 to the financial statements. A deficit was arising on revaluation.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements property, plant and equipment of the Group during the year ended 31 December 2004 are set out in note 14 to the financial statements.

SHARE CAPITAL

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

Report of Directors

SHARE OPTION SCHEME

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

As at 31 December 2004, details of the share options granted under the Scheme are as follows:

Date of grant	Exercisable period	Subscription price per share	Granted during the year and balance at 31 December 2004
Directors			
11 October 2004	11 October 2004 to 10 October 2014	0.10	8,000,000
11 October 2004	11 October 2004 to 10 October 2014	0.13	3,000,000
			11,000,000
Employees/other participate			
11 October 2004	11 October 2004 to 10 October 2014	0.10	5,000,000
11 October 2004	11 October 2004 to 10 October 2014	0.13	6,708,000
			11,708,000

The share options to subscribe 11,000,000 shares in the Company outstanding at 31 December 2004 were granted to the directors of the Company. Consideration paid for each grant of option was HK\$1.00. No options were exercised and cancelled during the year. No charge was recognised in the income statement in respect of the value of share options granted.

The share options granted are not recognized in the financial statements until they are exercised. The Directors of the Company consider it is not appropriate to disclose the value of the share options granted during the year under the Scheme since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain. The Directors of the Company believe that the evaluation of share options based upon speculative assumptions would not be meaningful and would be misleading.



Report of Directors

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Wong Shu Wing
Kwan Kim Fai, Stanley
Choi Tat Kai
Lau Kit Hung

Independent non-executive directors:

Lau Chung Kwan
Yeung Ming Tai
Chang Kin Man (Appointed on 24 June 2004)

In accordance with the provisions of the Company's Articles of Association, Mr. Choi Tat Kai and Mr. Chang Kin Man will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The remaining Director shall remain in office.

Each of the executive directors has entered into a service agreement with the Company under which they act as executive directors for an initial term of three years (as to Wong Shu Wing), two years (as to Kwan Kim Fai, Stanley) and one year (as to that of Choi Tat Kai and Lau Kit Hung) respectively commencing from 3 March 2003 and shall continue thereafter from year to year until terminated by either party with three months' notice in writing served on the other side. Under the service agreements, the executive Directors are entitled to an aggregate monthly salaries of HK\$212,242 with no bonus. All the executive directors are entitled to all reasonable out-of-pocket expenses and medical benefits/insurance on terms to be agreed with the Company.

Each independent non-executive directors has entered into a service agreement with the Company for an initial term of one year commencing either from 3 March 2003 as to "Lau Chung Kwan and Yeung Ming Tai" and from 24 June 2004 (as to Chang Kin Man) shall continue thereafter from year to year until terminated by either party with one month's notice in writing served on the other side. Under the service agreements, the independent non-executive directors are entitled to an aggregate fee of HK\$150,000 per year.

Save as disclosed above, none of directors being 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 Group within one year without payment of compensation, other than statutory compensation.

Report of Directors

The Company has received annual confirmation from each of the Independent Non-Executive Directors as regards their independence to the Company and considers that each of the Independent Non-Executive Directors is independent to the Company.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2004, the issued share capital of the Company consisted of ordinary shares and the interests and short positions of Directors and the Chief Executive of the Company in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the Company's register kept under Section 352 of the SFO as follows:

Interest in the Company's shares

Name	Capacity/ Nature of Interest	Number of share held		Percentage of the issued share capital of the Company
		Long position	Short position	
Wong Shu Wing	Corporate	204,000,000 (Note)	—	43%
Kwan Kim Fai, Stanley	Personal	36,000,000	—	8%

Note: These shares are held by Best Eagle International Ltd., a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Wong Shu Wing.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the issue of shares of the Company pursuant to the Corporate Reorganisation mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of directors, or their spouses or children under the age of 18, had right to subscribe for the securities of the Company, or had exercised any such right during the year.



Report of Directors

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding 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 31 December 2004 or at any time during the year then ended.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2004, in accordance with the register of substantial shareholders kept by the Company pursuant to Section 336 of the SFO and so far as is known to the Directors, the following persons (other than a Director or Chief Executive of the Company) were interested in the issued capital (including short positions) representing 5% or more of the issued share capital:

Name	Capacity/ Nature of Interest	Number of share held		Percentage of the issued share capital of the Company
		Long position	Short position	
Best Eagle International Ltd. (Note 1)	Corporate	204,000,000	—	43%
Wong Shu Wing (Note 1)	Personal	204,000,000	—	43%
D & M International Ltd. (Note 2)	Corporate	60,000,000	—	13%
Leung Yu Ming, Steven (Note 2)	Personal	60,000,000	—	13%
Kwan Kim Fai, Stanley	Personal	36,000,000	—	8%

Notes:

1. The entire issued share capital of Best Eagle International Ltd. is beneficially owned by Mr. Wong Shu Wing. Therefore both Best Eagle International Ltd. and Mr. Wong Shu Wing are deemed to have the duplicate interests in the share capital of the Company under the SFO.
2. The entire issued share capital of D & M International Ltd. is beneficially owned by Mr. Leung Yu Ming, Steven. Therefore both D & M International Ltd. and Mr. Leung Yu Ming, Steven are deemed to have the duplicate interests in the share capital of the Company under the SFO.

Save as disclosed herein, as at 31 December 2004, no other person was recorded in the Company's register maintained by the Company pursuant to Section 336 of the SFO as having an interest in the issued share capital of the Company representing 5% or more of the issued capital.

Save as disclosed herein, the Directors are not aware of any person, other than the persons (including his personal, family and corporate interests) as aforementioned, who had, directly or indirectly, an interest in the issued capital (including short positions) representing 5% or more of the issued capital as at 31 December 2004.

Report of Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2004, the five largest customers of the Group accounted for about 29% of the turnover of the Group and the largest customer accounted for about 15% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 47% of its purchases for the year. Purchases from the largest supplier accounted for about 16% of its purchases.

At no time during the year, none of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group.

RETIREMENT BENEFITS SCHEMES

The Group makes mandatory contributions to Mandatory Provident Fund Scheme for its staff in Hong Kong and retirement plans for those staff in other jurisdictions.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year to 31 December 2004 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Lau Chung Kwan, Mr. Yeung Ming Tai and Mr. Chang Kin Man. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the report and financial statements for the year ended 31 December 2004 with the Directors.

PRE-EMPTIVE RIGHTS

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



Report of Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

The financial statements for the year have been audited by Deloitte Touche Tohmatsu. A resolution will be submitted to the annual general meeting of the Company to re-appoint them as auditors.

On behalf of the Board

Wong Shu Wing

Chairman

Hong Kong

25 April 2005