

## Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31st December, 2003.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the financial statements.

### RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st December, 2003 are set out in the consolidated income statement on page 19.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

### SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 30 to the financial statements.

### RESERVES

Details of movements in the reserves of the Company during the year are set out in note 31 to the financial statements.

### INVESTMENT PROPERTIES

During the year, investment properties of approximately HK\$72 million were acquired as a result of acquisition of subsidiaries.

The Group also revalued all of its investment properties at the balance sheet date and revaluation surplus arising on revaluation of approximately HK\$30 million has been credited to the investment property revaluation reserve. Details of the movements of the investment properties of the Group during the year are set out in note 12 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

During the year, property, plant and equipment with an aggregate net book value of approximately HK\$31 million were acquired as a result of acquisition of subsidiaries.

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

### BORROWINGS

Details of the borrowings of the Group are set out in note 29 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers and customers of the Group accounted for approximately 57% and 84% of the Group's purchases and turnover, respectively. The largest supplier accounted for approximately 24% of the total purchases of the Group. The largest customer accounted for approximately 34% of the total turnover of the Group.

None of the directors, the supervisors, their associates or any shareholders which, to the knowledge of the directors, own more than 5% of the Company's issued share capital had any interest in the five largest suppliers or customers.

### DIRECTORS

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

#### Executive directors:

Mr. Yao Yuan – *Executive Chairman*  
Mr. Chien Hoe Yong, Henry  
Mr. Hu Jun

#### Independent non-executive directors:

Mr. Lam Lee G.  
Mr. Yap Kah On (resigned on 31st October, 2003)  
Ms. Chiang Su Hui, Susie  
Mr. Xiao Chuan Guo (appointed on 31st October, 2003)

In accordance with Bye-law 100 of the Company, Mr. Xiao Chuan Guo, director appointed by the board after the conclusion of the last annual general meeting, will retire from office and, being eligible, offers himself for re-election at the forthcoming annual general meeting of the Company.

In accordance with Bye-law 109 of the Company, Mr. Hu Jun and Ms. Chiang Su Hui, Susie will retire from the office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

None of the 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.

## Directors' Report

### DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2003, the interests of the directors of the Company and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### Long positions

Name of director	Capacity	Number of ordinary shares held (Note 1)
Mr. Yao Yuan	Held by controlled corporation	1,409,929,075 (Note 2)

#### Notes:

- Share(s) of HK\$0.05 each in the capital of the Company.
- The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, of which 50% is held by Mr. Yao Yuan.

Save as disclosed above, as at 31st December, 2003, none of the Company's directors or their associates had any interests or short positions in any securities of the Company or any of its associated corporations.

### SHARE OPTIONS

Particulars of the share option scheme of the Company are set out in note 32 to the financial statements.

No share options were granted to the directors during the year and no share options were held by the directors as at 31st December, 2003.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the directors nor their chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe for the equity or debt securities of the Company, or had exercised any such rights.

### DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that at 31st December, 2003 the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

#### Long positions

Name	Capacity	Number of shares	Notes	Approximate shareholding percentage
Ming Yuan Investments Group Limited	Beneficial owner	1,409,929,075	(i)	54.48%
Ming Yuan Holdings Limited	Held by controlled corporation	1,409,929,075	(i)	54.48%
Mr. Yao Yuan	Held by controlled corporation	1,409,929,075	(i)	54.48%
Mr. Iu Chung	Held by controlled corporation	1,409,929,075	(i)	54.48%
Mr. Lee Kuan Teik	Beneficial owner	200,000,000		7.73%
Inglewood Group Limited ("Inglewood")	Beneficial owner	135,000,000	(ii)	5.22%
Mr. Lo Shing Fung	Held by controlled corporation	135,000,000	(ii)	5.22%

#### Notes:

- (i) The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, which in turn is owned as to 50% and 50% by Mr. Yao Yuan and Mr. Iu Chung respectively.
- (ii) Inglewood is a company owned as to 95% by Mr. Lo Shing Fung. Accordingly, Mr. Lo Shing Fung was deemed to be interested in 135,000,000 ordinary shares in the Company which were held by Inglewood.

Save as disclosed above, the Company had not been notified of any other interests representing 5 percent or more in the issued share capital of the Company as at 31st December, 2003.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange except that non-executive directors are not appointed for a specific term but are subject to rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

### AUDITORS

Messrs. Ernst & Young acted as auditors of the Company for the nine-months period ended 31st December, 2001. Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past two financial years. A resolution will be submitted at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board