

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries and associates are set out in notes 29 and 30, respectively, to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 18.

An interim dividend of HK3 cents per share amounting to HK\$7,500,000 was paid to the shareholders of the Company during the year. The Directors recommend the payment of a final dividend of HK3 cents per share and a special dividend of HK3 cents per share, amounting to a total of HK\$15,000,000 to the shareholders whose names appear on the register of members on 25th May, 2004.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 20 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 21.

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The Company's reserves available for distribution as at 31st December, 2003 represent the share premium, contributed surplus and accumulated profits with an aggregate amount of approximately HK\$138,343,000.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Yuen Shu Wah

Mr. Ko Jack Lum

Mr. Ng Kai On

Non-Executive Directors:

Mr. Chung Tze Hien (appointed on 8th December, 2003)

Mr. Ng Seng Nam

Mr. Tan Peng Koon (appointed on 8th December, 2003)

YBhg. Dato' Wong Peng Chong (resigned on 8th December, 2003)

Mr. Low Jau Foo (resigned on 8th December, 2003)

Independent Non-Executive Directors:

Mr. Lau Siu Ki, Kevin

Mr. Wu Wing Kit

In accordance with Article 99 of the Company's Articles of Association, Messrs. Chung Tze Hien and Tan Peng Koon retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Yuen Shu Wah, being the Managing Director of the Company, is not required to retire by rotation and Mr. Ko Jack Lum, retires by rotation and, being eligible, offers himself for re-election.

The Non-Executive Directors have no set term of office but are subject to retirement by rotation and, being eligible, offer themselves for re-election, in accordance with the Company's Articles of Association.

Each of the Executive Directors has entered into a service agreement with the Company for an initial term of two years, commencing from 30th April, 2002 and either party thereto may terminate the agreement by giving to the other six months' prior notice in writing upon the terms and conditions as stipulated in the said service agreement.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2003, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to 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 Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

	Associated corporation	Name of Director	Personal interests	Percentage of issued share capital
(a)	Pacific Orchid Investments Limited ("Pacific Orchid")	Yuen Shu Wah	2,865 (Ordinary Shares)	28.65%
		Ko Jack Lum	1,550 (Ordinary Shares)	15.50%
(b)	Manfield Coatings Company Limited ("Manfield Coatings")	Yuen Shu Wah	9,168,000 (Non-voting Class A Shares)	28.65%
		Ko Jack Lum	4,960,000 (Non-voting Class A Shares)	15.50%
(c)	Chemfield Trading Company Limited ("Chemfield")	Yuen Shu Wah	280,000 (Ordinary Shares)	28.00%

Note: Messrs. Yuen Shu Wah and Ko Jack Lum are directors of each of Pacific Orchid, Manfield Coatings and Chemfield. Pacific Orchid is the immediate holding company of the Company. Manfield Coatings is a wholly owned subsidiary of the Company, which holds 49% of issued share capital of Chemfield.

All the interests stated above represent long positions. Save as disclosed above, none of the Directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 31st December, 2003.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no timing during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such right.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Details of the discloseable connected transactions for the year are set out in note 28 (I) to the financial statements. In the opinion of the Independent Non-Executive Directors, such transactions were entered into by the Group:

- (i) in the ordinary and usual course of the Group's business;
- (ii) on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (iii) in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to or from independent third parties.

Save as disclosed above:

- (i) no contracts of significance subsisted at any time during the year to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, other than the interests disclosed in "Directors' Interests In Shares, Underlying Shares and Debenture", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name	Number of ordinary shares	Percentage of issued share capital
Mulpha International Bhd. ("Mulpha International") (note)	187,500,000	75%
King's Chemical Products Inc. ("King's Chemical") (note)	187,500,000	75%
Pacific Orchid	187,500,000	75%

Note: These shares were held by Pacific Orchid, in which King's Chemical, an indirect wholly-owned subsidiary of Mulpha International, holds 51% equity interests. Therefore, each of Mulpha International and King's Chemical is deemed to be interested in the shares held by Pacific Orchid.

All the interests stated above represent long positions. Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company as at 31st December, 2003 or any other interests representing 5% or more of the issued share capital of the Company as at 31st December, 2003.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 38% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 17% of the Group's total purchases.

None of the Directors, their associates or any shareholder of the Company which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest suppliers of the Group.

RETIREMENT BENEFITS SCHEME

Information on the retirement benefits scheme of the Group is set out in note 27 to the financial statements.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions 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 a pro rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2003 with the Code of Best Practice ("Code") as set out in Appendix 14 to the Listing Rules, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms but subject to retirement by rotation in accordance with the provisions of the Company's Articles of Association.

AUDIT COMMITTEE

In compliance with the Code, the Company established an Audit Committee on 9th April, 2002 comprising Messrs. Lau Siu Ki, Kevin and Wu Wing Kit, the Independent Non-Executive Directors of the Company. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

AUDITORS

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

On behalf of the Board

YUEN SHU WAH

Managing Director

Hong Kong, 15th April, 2004