

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries and associates are set out in notes 17 and 19, respectively, to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 99.

The directors do not recommend the payment of any dividend for the year ended 31 December 2003.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate. This summary does not form part of the audited financial statements.

Certain figures in the five year summary have been adjusted for the effects of the retrospective change in accounting policy affecting income taxes to conform with the current year's presentation, as detailed in notes 2 and 31 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION (continued)

	Year ended 31 December				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Turnover	<u>488,804</u>	<u>409,259</u>	<u>369,508</u>	<u>444,551</u>	<u>466,997</u>
Operating profit/(loss)	<u>(167,125)</u>	(187,537)	9,714	18,153	(76,509)
Share of loss of a jointly-controlled entity	<u>(223)</u>	(313)	(286)	—	—
Share of profits and losses of associates:					
Continuing operations	<u>(22,402)</u>	(11,570)	5,039	14,159	2,409
Discontinued operations	<u>—</u>	—	—	—	306
	<u>(22,402)</u>	(11,570)	5,039	14,159	2,715
Gain on disposal of discontinued operations	<u>—</u>	—	—	—	548,485
Profit/(Loss) before tax	<u>(189,750)</u>	(199,420)	14,467	32,312	474,691
Tax	<u>(3,775)</u>	(7,585)	(7,652)	(9,614)	(11,070)
Profit/(Loss) before minority interests	<u>(193,525)</u>	(207,005)	6,815	22,698	463,621
Minority interests	<u>20,196</u>	4,794	(49)	1,167	(233,498)
Net profit/(loss) from ordinary activities attributable to shareholders	<u>(173,329)</u>	<u>(202,211)</u>	<u>6,766</u>	<u>23,865</u>	<u>230,123</u>
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	<u>1,150,003</u>	1,247,792	1,300,270	1,313,361	1,557,191
Total liabilities	<u>(334,583)</u>	(290,504)	(218,293)	(237,820)	(351,679)
Minority interests	<u>(3,533)</u>	(23,729)	(46,284)	(46,320)	(47,593)
	<u>811,887</u>	<u>933,559</u>	<u>1,035,693</u>	<u>1,029,221</u>	<u>1,157,919</u>

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on pages 100 and 101.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out on page 102.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SHARES

Except for the repurchases of the Company's shares during the year, as detailed in note 32 to the financial statements, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year.

The repurchases of the Company's shares during the year were effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Company.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated summary statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company had no reserves available for distribution. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof. In addition, the Company's share premium account and capital redemption reserve may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$352,500.

DIRECTORS

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

Tsui Tsin Tong

Lam Ting Ball, Paul

Sir David Akers-Jones*

Tsui Ho Chuen, Philip

Tsui Yam Tong, Terry

Lau Wong Fat*

Wu Tat Po

Li Hui Yan*

Hung Ting Ho, Richard

* independent non-executive director

In accordance with the Company's bye-laws, Messrs. Tsui Tsin Tong and Wu Tat Po will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

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.

The emoluments specified in Mr. Tsui Tsin Tong's service contract comprise an annual salary of HK\$7,540,000, housing benefits and other allowances. The emoluments specified in Mr. Wu Tat Po's service contract comprise an annual salary including allowances of HK\$799,500. The emoluments of the directors are determined by reference to the director's duties and responsibilities, the Company's performance and the market benchmark.

BRIEF BIOGRAPHIES IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position held	Number of years of service	Business experience
Tsui Tsin Tong G.B.S., LL.D., JP Standing Member, National Committee of The Chinese People's Political Consultative Conference	64	Honorary Chairman	19	More than 33 years' experience in the investment and property fields
Lam Ting Ball, Paul	62	Chairman	31	More than 31 years' experience in the paint industry
Sir David Akers-Jones KBE, CMG, JP	77	Deputy Chairman	13	Former Chief Secretary specialising in land planning and housing development
Tsui Ho Chuen, Philip	40	Executive Deputy Chairman	19	Solicitor
Tsui Yam Tong, Terry	58	Managing Director	17	More than 31 years' experience in administration and management

BRIEF BIOGRAPHIES IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
Lau Wong Fat OBE, JP	67	Director	13	More than 29 years' experience in land and property business
Wu Tat Po	57	Finance Director	4	More than 23 years' experience in fund management
Li Hui Yan	62	Director	3	More than 32 years' experience in financial control and general management
Hung Ting Ho, Richard	50	Director	2	More than 26 years' experience in business and financial management

Senior management

The businesses of the Group are under the direct responsibility of four directors, namely, Messrs. Tsui Tsin Tong, Lam Ting Ball, Paul, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry.

Ms. Lam Wing Han, aged 38, Senior Group Accountant, is an associate member of the Hong Kong Society of Accountants. She joined the Company in 1994.

Notes:

1. Mr. Tsui Tsin Tong and Mr. Tsui Yam Tong, Terry are brothers and Mr. Tsui Ho Chuen, Philip is the son of Mr. Tsui Tsin Tong.
2. Mr. Tsui Yam Tong, Terry is the sole director of Rapid Growth Ltd., which is a substantial shareholder of the Company.
3. Mr. Wu Tat Po, standing for re-election at the forthcoming annual general meeting, does not have any relationship with any other directors, senior management or substantial shareholders of the Company.

SHARE OPTIONS

The Company's existing share option scheme (the "Scheme") was adopted on 28 June 2002. The key terms of the Scheme are summarised below:

- (i) the purposes of the Scheme are to recognise and motivate the participants of the Scheme that made contributions to the Group and to attract and retain high calibre employees of the Group;
- (ii) the participants of the Scheme include any employee, director, supplier, customer and securities holder of the Company, its subsidiaries or any entity in which the Group holds an equity interest and any person or entity that provides research, development or other technological support to such companies;
- (iii) the total number of shares available for issue under the Scheme is 152,818,819 which represents about 10% of the issued share capital of the Company as at the date of this report;
- (iv) the total number of shares issued and to be issued upon exercise of the options granted to each participant (including the exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless it is approved by the shareholders in general meeting;
- (v) an option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the directors to the grantee, but in any event not beyond the 10-year period after the date of grant;
- (vi) the subscription price of a share in respect of any option granted shall not be lower than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share; and
- (vii) the Scheme remains in force until 27 June 2012.

SHARE OPTIONS (continued)

No share option has so far been granted under the Scheme since its adoption.

Details of the share options of the Company granted to the directors of the Company and the continuous contract employees of the Group, pursuant to the Company's expired/terminated share option schemes adopted on 2 May 1991 (the "1991 Scheme") and 13 June 2001 (the "2001 Scheme") respectively, that remained unexercised as at 1 January 2003 and 31 December 2003 are as follows:

Name	Date of grant	Vesting/ Exercise period	Exercise price per share HK\$	Number of shares under options		
				Balance at 1 January 2003	Lapsed during the year	Balance at 31 December 2003
1991 Scheme						
Directors						
Sir David Akers-Jones	23 August 2000	23 August 2000 to 22 August 2003	0.224	1,000,000	1,000,000	—
Tsui Ho Chuen, Philip	23 August 2000	23 August 2000 to 22 August 2003	0.224	6,000,000	6,000,000	—
	26 April 2001	26 April 2001 to 25 April 2006	0.2152	4,000,000	—	4,000,000
Tsui Yam Tong, Terry	23 August 2000	23 August 2000 to 22 August 2003	0.224	6,000,000	6,000,000	—
	26 April 2001	26 April 2001 to 25 April 2006	0.2152	4,000,000	—	4,000,000
Wu Tat Po	23 August 2000	23 August 2000 to 22 August 2003	0.224	1,000,000	1,000,000	—
Continuous contract employees (other than the directors of the Company and their associates)	23 August 2000	23 August 2000 to 22 August 2003	0.224	2,000,000	2,000,000	—

SHARE OPTIONS (continued)

Name	Date of grant	Vesting/ Exercise period	Exercise price per share HK\$	Number of shares under options			
				Balance at 1 January 2003	Exercised during the year	Lapsed during the year	Balance at 31 December 2003
2001 Scheme							
Directors							
Tsui Tsin Tong	27 September 2001	27 September 2001 to 26 September 2006	0.1576	38,000,000	—	—	38,000,000
Lam Ting Ball, Paul	27 September 2001	27 September 2001 to 26 September 2006	0.1576	10,000,000	—	—	10,000,000
Tsui Ho Chuen, Philip	27 September 2001	27 September 2001 to 26 September 2006	0.1576	33,500,000	—	—	33,500,000
Tsui Yam Tong, Terry*	27 September 2001	27 September 2001 to 26 September 2006	0.1576	33,500,000	—	—	33,500,000
Wu Tat Po	27 September 2001	27 September 2001 to 26 September 2006	0.1576	21,000,000	—	—	21,000,000
Continuous contract employees (other than the directors of the Company and their associates)	27 September 2001	27 September 2001 to 26 September 2006	0.1576	14,382,000	26,000**	676,000	13,680,000

* Ms. Ng Shou Ping, Lucilla, the wife of Mr. Tsui Yam Tong, Terry, was granted an option to subscribe for 750,000 shares at an exercise price of HK\$0.1576 per share on 27 September 2001. Such option is exercisable and valid between 27 September 2001 to 26 September 2006, which remained unexercised at 31 December 2003.

** The weighted average closing price immediately before the date on which the option was exercised was HK\$0.207.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2003, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(i) Shares

Name	Note	Capacity	Number of shares				Total	Percentage of issued share capital
			Personal interests	Family interests	Corporate interests	Other interests		
Tsui Tsin Tong	1	Beneficial owner & founder of discretionary trust	6,000,000	—	—	337,473,906	343,473,906	22.66%
Sir David Akers-Jones		Beneficial owner	2,406,831	—	—	—	2,406,831	0.16%
Tsui Ho Chuen, Philip	1	Beneficiary of trust	—	—	—	337,473,906	337,473,906	22.26%
Tsui Yam Tong, Terry	1	Beneficial owner, beneficiary of trust & interest of controlled corporation	1,124,000	—	337,473,906*	337,473,906*	338,597,906	22.33%
Lau Wong Fat		Beneficial owner	500,000	—	—	—	500,000	0.03%

* duplication

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES
(continued)

(ii) Underlying shares

Name	Note	Capacity	Nature of equity derivative (unlisted/physically settled)	Number of underlying shares
Tsui Tsin Tong		Beneficial owner	option granted under the Company's share option scheme	38,000,000
	2	Founder of discretionary trust	option	98,000,000
Lam Ting Ball, Paul		Beneficial owner	option granted under the Company's share option scheme	10,000,000
Tsui Ho Chuen, Philip		Beneficial owner	options granted under the Company's share option schemes	37,500,000
	2	Beneficiary of trust	option	98,000,000
Tsui Yam Tong, Terry		Beneficial owner	options granted under the Company's share option schemes	37,500,000
		Interest of spouse	option granted under the Company's share option scheme	750,000
	2	Beneficiary of trust & interest of controlled corporation	option	98,000,000
Wu Tat Po		Beneficial owner	option granted under the Company's share option scheme	21,000,000

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(continued)

Notes:

- (1) The 337,473,906 shares were held by Rapid Growth Ltd. ("RGL") as trustee of a discretionary trust of which Mr. Tsui Tsin Tong is the founder and Messrs. Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry are the discretionary beneficiaries. Mr. Tsui Yam Tong, Terry is also the sole shareholder of RGL.
- (2) The 98,000,000 shares were owned by Broadsino Investment Company Limited ("Broadsino"). RGL has granted an option to Broadsino to sell to RGL all or any part of such shares exercisable at any time during the term of the option. RGL was taken to be interested in these underlying shares under the SFO. By virtue of the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry in RGL as disclosed in note (1) above, each of them was deemed under the SFO to be interested in such underlying shares.

Details of the options granted to the directors of the Company under the Company's share option schemes are disclosed in the heading "Share options" above.

Save as disclosed above, as at 31 December 2003, none of the directors or chief executives of the Company had any interest or short position 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 notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the directors and the chief executives had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above, 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 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than under the share option schemes of the Company pursuant to which options were granted to certain directors.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2003, the register maintained by the Company under Section 336 of the SFO showed that the following persons (other than the directors of the Company) had interests and short positions in the shares and underlying shares of the Company:

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ physically settled equity derivatives)	Percentage of issued share capital
10% or more of issued share capital					
Rapid Growth Ltd.	1	Trustee	337,473,906	—	22.26%
	1	Trustee	—	98,000,000	6.46%
Wang Wing Mu, Amy	2	Interest of spouse	343,473,906	—	22.66%
	2	Interest of spouse	—	136,000,000	8.97%
Ng Shou Ping, Lucilla	3	Interest of spouse	338,597,906	—	22.33%
	3	Beneficial owner & interest of spouse	—	136,250,000	8.99%
Ho Mei Po, Mabel	4	Interest of spouse	337,473,906	—	22.26%
	4	Interest of spouse	—	135,500,000	8.94%
West Avenue Group Company Limited	5	Beneficial owner	198,000,000	—	13.06%
Tsai Wu Chang	5	Interest of controlled corporation	198,000,000	—	13.06%
Below 10% of issued share capital					
Broadsino Investment Company Limited	6	Beneficial owner	98,000,000	—	6.46%
Golden Case Limited	7	Security interest in shares	80,000,000	—	5.28%
Cheung Kong Investment Company Limited	7	Interest of controlled corporation	80,000,000	—	5.28%
Cheung Kong (Holdings) Limited	7	Interest of controlled corporations	80,000,000	—	5.28%
Li Ka-Shing Unity Trustee Company Limited	7	Trustee	80,000,000	—	5.28%
Li Ka-Shing Unity Trustee Corporation Limited	7	Trustee & beneficiary of trust	80,000,000	—	5.28%
Li Ka-Shing Unity Trustcorp Limited	7	Trustee & beneficiary of trust	80,000,000	—	5.28%
Li Ka-Shing	7	Interest of controlled corporations & founder of discretionary trusts	80,000,000	—	5.28%

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

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/physically settled equity derivatives)	Percentage of issued share capital
Chinaculture.com Limited	8	Beneficial owner	75,900,000	—	5.01%
Chuang's China Investments Limited	8	Interest of controlled corporation	75,900,000	—	5.01%
Profit Stability Investments Limited	8	Interest of controlled corporations	75,900,000	—	5.01%
Chuang's Consortium International Limited	8	Interest of controlled corporations	75,900,000	—	5.01%

Notes:

- (1) The 337,473,906 shares were held by RGL as trustee of a discretionary trust. The interest in 98,000,000 underlying shares was in respect of an option granted by RGL to Broadsino to sell to RGL all or part of such shares owned by Broadsino exercisable at any time during the term of the option. These interests are duplicated in the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above.
- (2) Ms. Wang Wing Mu, Amy is the wife of Mr. Tsui Tsin Tong and was taken to be interested in 343,473,906 shares and 136,000,000 underlying shares under equity derivatives in which her spouse was interested under the SFO.
- (3) Ms. Ng Shou Ping, Lucilla is the wife of Mr. Tsui Yam Tong, Terry and was taken to be interested in 338,597,906 shares and 135,500,000 underlying shares under equity derivatives in which her spouse was interested under the SFO. She also has a personal interest in an option granted under the Company's share option scheme to subscribe for 750,000 shares of the Company.
- (4) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 337,473,906 shares and 135,500,000 underlying shares under equity derivatives in which her spouse was interested under the SFO.
- (5) The 198,000,000 shares were beneficially owned by West Avenue Group Company Limited ("West Avenue"). Mr. Tsai Wu Chang was deemed to be interested in these shares under the SFO by virtue of his interest in the entire equity of West Avenue.
- (6) These shares were beneficially owned by Broadsino. Pursuant to an option granted by RGL, Broadsino has a right to sell all or part of these shares to RGL exercisable at any time during the term of the option. This interest is detailed and duplicated with the interests of RGL as shown in note (1) above.

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

Notes: (continued)

- (7) The references to the 80,000,000 shares relate to the same block of 80,000,000 shares interested by Golden Case Limited (“Golden Case”) by virtue of a security interest in these shares charged by RGL.

Golden Case was a wholly-owned subsidiary of Cheung Kong Investment Company Limited (“CKI”), which in turn was a wholly-owned subsidiary of Cheung Kong (Holdings) Limited (“CKH”).

Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust 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 CKH.

Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”) as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”) as trustee of another discretionary trust (“DT2”) both held units in The Li Ka-Shing Unity Trust.

Mr. Li Ka-Shing is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of them for the purpose of the SFO. The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the issued share capital.

CKI, CKH, TUT1, TDT1, TDT2 and Mr. Li Ka-Shing were all deemed to be interested in these 80,000,000 shares which were taken to be interested in by Golden Case under the SFO.

- (8) The references to the 75,900,000 shares relate to the same block of 75,900,000 shares beneficially interested by Chinaculture.com Limited (“Chinaculture”).

Chinaculture was a wholly-owned subsidiary of Chuang’s China Investments Limited (“Chuang’s China”), which in turn was a 60% owned subsidiary of Profit Stability Investments Limited (“Profit Stability”). Chuang’s Consortium International Limited (“Chuang’s Consortium”) held 100% equity interest in Profit Stability.

Chuang’s China, Profit Stability and Chuang’s Consortium were all deemed under the SFO to be interested in these 75,900,000 shares which were owned by Chinaculture.

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 31 December 2003 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

The connected transactions disclosed in accordance with Chapter 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange (in force prior to 31 March 2004) are as follows:

- (i) During the year, the Company and certain of its wholly-owned subsidiaries made various advances to the following non wholly-owned subsidiaries:

Name of company	Percentage of equity interest attributable to the Group	Amount of advances as at 31 December 2003 HK\$'000
Elegant Stone International Ltd.	76.1	43,031
Wilfred Marble Engineering Limited (“Wilfred Marble”)	76.1	2,558
Dragon Century Investment Limited	70	2,258
Shinfull Development Limited	60	1,889
Dalian Qinggang Real Estate Development Co., Ltd.	60	7,547
New China Environmental Protection Limited	55	1,642

The above advances are made to the above companies to provide working capital to finance their operations.

The above advances are unsecured, interest-free and have no fixed terms of repayment.

- (ii) At 31 December 2003, certain wholly-owned subsidiaries of the Company pledged time deposits amounting to HK\$5,200,000 in favour of a bank for securing banking facilities granted to Wilfred Marble.
- (iii) During the year, the Company granted corporate guarantee amounting to HK\$25,000,000 in favour of a bank for securing banking facilities granted to Wilfred Marble.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the accounting year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms. The independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board of

CNT GROUP LIMITED

Lam Ting Ball, Paul

Chairman

Hong Kong

20 April 2004