

## Directors' Report

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

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment in listed and unlisted companies in the People's Republic of China and Hong Kong. The subsidiaries of the Company set out in note 11 to the financial statements have not commenced business.

### RESULTS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 20.

### PROPERTY AND EQUIPMENT

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

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 14 to the financial statements.

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

### DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. In accordance with Article 143 of the Company's Articles of Association, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. The Company's reserves available for distribution amounted to approximately HK\$24,714,000 as at 31 December 2003 (2002: HK\$29,275,000).

*Directors' Report***DIRECTORS**

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

**Executive Directors**

Mr. Yu Yi Ping, Wallace	(resigned on 30 September 2003)
Mr. Wan Chuen Hing, Alexander	
Mr. Liu Min	(resigned on 15 September 2003)
Ms. Lin Wai Yan, Monica	(resigned on 1 January 2003)
Mr. Ng Hon Chueng, Sannio	(appointed on 22 September 2003)

**Non-executive Directors**

Ms. Liu Yuan	(resigned on 15 September 2003)
Mr. Wang Qiang	(resigned on 15 September 2003)

**Independent Non-executive Directors**

Dr. Koo Ming Yan, Charles	(resigned on 30 June 2003)
Mr. Lok Shing Kwan, Sunny	
Mr. Liu Xiao Kang	(resigned on 25 August 2003)
Mr. Yan Mou Keung	(appointed on 26 August 2003)

In accordance with Article 87(3) of the Company's Articles of Association, Messrs. Wan Chuen Hing, Alexander and Lok Shing Kwan, Sunny shall hold office only until the forthcoming annual general meeting of the Company and shall then be eligible for re-election.

Each of the Executive Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

*Directors' Report***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS**

As at 31 December 2003, none of the directors, chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares and 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 for Securities Transactions by Directors of Listed Companies.

**SHARE OPTIONS**

Particulars of the Company's share option scheme are set out in note 15 to the financial statements. No option has been granted or agreed to be granted under the share option scheme from the date of adoption of the scheme.

**DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES**

Other than the share option scheme as disclosed in note 15 to the financial statements, at no time during the year was the Company 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 any of their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

**CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

There are no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and no contract of significance, to which the Company 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' Report***SUBSTANTIAL SHAREHOLDERS'S INTEREST OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31 December 2003, so far as was known to the Directors, the following, not being a Director or a chief executive of the Company, had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of the Group:

	<i>Notes</i>	<b>Shares</b>	%
Principal Shareholder (and its nominees)	1	17,924,000	22.405
Baron Capital Limited and its associates	2	15,996,000	19.995
Ip Ki Cheung	3	15,436,000	19.295
Cheng Fat Ning, Lenda	4	14,396,000	17.995

*Notes:*

1. Cosmopolitan International Holdings Limited is deemed to be interested in 17,896,000 Shares held by Core Success Limited and 28,000 Shares held by Cosmopolitan Properties and Securities Limited. Both Core Success Limited and Cosmopolitan Properties and Securities Limited are wholly-owned by Cosmopolitan International Holdings Limited.
2. Baron Capital Limited is deemed to be interested in 15,996,000 Shares held by its associates, Capital Builder Investments Limited. Capital Builder Investments Limited is wholly-owned by Mak Wai Chun. Mak Wai Chun is the wife of Wan Chuen Chung, Joseph, who indirectly and beneficially owns 90% interests in the issued share capital of Baron Capital Limited.
3. Ip Ki Cheung is deemed to be interested in the 15,436,000 Shares held by Kenfair International (Holdings) Limited. Ip Ki Cheung is indirectly beneficially interested in 50% of the entire issued share capital of Capital Concord Profits Limited which holds 50.05% shareholding in Kenfair International (Holdings) Limited. Kenfair International (Holdings) Limited is a company whose shares are listed on the Stock Exchange.
4. Cheng Fat Ning, Lenda is deemed to be interested in 14,396,000 Shares held by Best News Investments Limited. Best News Investments Limited is wholly-owned by Cheng Fat Ning, Lenda.

Save as disclosed above, the Directors are not aware of any person (not being a Director or chief executive of the Company) who has interests or short positions in the Shares or underlying Shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

**CORPORATE GOVERNANCE**

The Company has complied in the period from its listing date to 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## *Directors' Report*

### **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.

### **AUDITORS**

During the year, Messrs. Deloitte Touche Tohmatsu, who acted as auditors of the Company since its incorporation on 18 September 2001, resigned and Messrs. Charles Chan, Ip & Fung CPA Ltd. were appointed auditors of the Company for the year ended 31 December 2003.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Charles Chan, Ip & Fung CPA Ltd. as auditors of the Company.

On behalf of the Board

**Wan Chuen Hing, Alexander**

*Director*

Hong Kong, 23 April 2004