

Report of the directors

The directors of Kim Eng Holdings (Hong Kong) Limited (the "Company") have pleasure in submitting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the period from 1 April 2003 to 31 December 2003.

Principal Activities

The principal activities of the Company are investment holding and securities trading and investment. The principal activities of its subsidiaries are provision of corporate finance advisory services.

Change of Financial Year End

Pursuant to a directors' resolution passed on 26 November 2003, the Company changed its financial year end from 31 March to 31 December in order to align itself with the financial year end of its ultimate holding company.

Segment Information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the period ended 31 December 2003 is set out in note 3 to the financial statements.

Results and Appropriations

The results of the Group for the period 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 12 to 51.

Dividends

The directors do not recommend the payment of a dividend.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the period are set out in note 11 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the period are set out in note 22 to the financial statements and consolidated statement of changes in equity respectively.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and associates as at 31 December 2003 are set out in notes 12 and 13 to the financial statements respectively.

Retirement Fund Schemes

Details of the Company's retirement fund schemes are set out in note 26 to the financial statements.

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Major Customers and Suppliers

For the period ended 31 December 2003, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 36% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 11% of the Group's total turnover for the period.

The Group is mainly a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers.

Directors

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

Executive directors:

Lee Woo Sau Yin, Gloria

Ooi Thean Yat, Ronald Anthony

Kong Lai Wan, Winnie

Chum Hon Wang, Michael

Independent non-executive directors:

Choy Hok Man, Constance

Chow Siu Ngor

Ms. Kong Lai Wan, Winnie and Ms. Choy Hok Man, Constance shall retire in accordance with Article 112 of the Company's Articles of Association. All the aforementioned directors being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

None of the directors 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.

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Directors' Interests in Shares

As at 31 December 2003, the interests of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance), as recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Interests in shares of the ultimate holding company, Kim Eng Holdings Limited ("Kim Eng Singapore") (Formerly known as Kim Eng Ong Asia Holdings Ltd)

Name of director	Number of ordinary shares	Capacity	Nature of interest	Percentage of the issued capital
Lee Woo Sau Yin, Gloria	5,901,770	Beneficial owner	Personal	0.97%
Ooi Thean Yat, Ronald Anthony	85,544,928	Beneficial owner	Personal	14.13%

Save as disclosed above, as at 31 December 2003, none of the Company's directors or any of their associates had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

Share Option Scheme

On 29 December 1997, a share option scheme (the "Scheme") was approved and adopted by the Company, under which the directors may, at their discretion, offer to any employees (including any executive director) of the Group options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. Details of the Company's share option scheme are set out in note 19 to the financial statements.

During the period, no share option was issued, exercised, cancelled, lapsed or outstanding, throughout the period.

Save as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company, or their spouse and children under the age of 18, to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

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Directors' Interests in Contracts

Mrs. Lee Woo Sau Yin, Gloria and Mr. Ooi Thean Yat, Ronald Anthony held 5,901,770 and 85,544,928 shares respectively at 31 December 2003 in the Company's ultimate holding company, Kim Eng Singapore, a company incorporated in Singapore and listed on the Stock Exchange of Singapore. Together with its subsidiaries and associates, Kim Eng Singapore had transactions with the Group during the period ended 31 December 2003. Further details of these transactions are set out in note 27 to the financial statements.

Save as disclosed above, there were no other contracts of significance to which the Company, its holding company or 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, subsisted at the end of the period or at any time during the period.

Substantial Shareholders

As at 31 December 2003, the following persons or corporations had interests in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance:

Long position

Name	Number of shares held			Percentage of the issued capital of the Company
	Direct interest	Deemed interest	Total	
Kim Eng Investment Limited ("KEI")*	10,907,200	–	10,907,200	15.15%
Kim Eng Singapore*	39,500,000	10,907,200	50,407,200	70.01%

* KEI is a wholly-owned subsidiary of Kim Eng Singapore. Accordingly, Kim Eng Singapore is deemed to be interested in 10,907,200 shares in the Company held by KEI.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2003.

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Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 31 December 2003.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the period.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice ("the Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the period ended 31 December 2003, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Articles of Association.

Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 52 of this annual report.

Auditors

The financial statements have been audited by Messrs. Grant Thornton who retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Ooi Thean Yat, Ronald Anthony

Director

Hong Kong, 12 February 2004