

Report of the Directors

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 14 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2003 are set out in the consolidated profit and loss account on page 21.

DIVIDEND

The directors proposed to pay a special dividend of HK6 cents per share, amounting to an aggregate of HK\$49,658,000 (2002: Nil), to those shareholders whose names appear on the register of members of the Company as at the close of business on 30th March 2004. The proposed special dividend is conditional upon the proposal for the reduction of the share premium account of the Company as at 31st December 2003 being approved by the shareholders of the Company at the forthcoming annual general meeting to be held on 2nd April 2004 and becoming effective.

RESERVES

Movement in the reserves of the Group and of the Company during the year are set out note 20 to the accounts.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$1,121,000.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 11 to the accounts.

MAJOR PROPERTIES

Details of the major properties of the Group as at 31st December 2003 are set out on page 58 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 19 to the accounts.

DIRECTORS

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

Executive directors

Mr. Hui Wing Mau

Ms. Hui Mei Mei, Carol

Mr. Hui Sai Tan, Jason

Ms. Lee Yuk Ying

Mr. Ip Wai Shing (appointed on 5th February 2004)

Mr. Tang Ping Fai (appointed on 5th February 2004)

Ms. Yao Li (appointed on 5th February 2004)

Independent non-executive directors

Mr. Liu Hing Hung

Mr. Lu Hong Bing

In accordance with clause 86(2) of the Company's bye-laws, Mr. Ip Wai Shing, Mr. Tang Ping Fai and Ms. Yao Li shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with clause 87 of the Company's bye-laws, Mr. Liu Hing Hung shall retire by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

The directors being proposed for re-election at the forthcoming annual general meeting do not have 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).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its ultimate holding 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

At 31st December 2003, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“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 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 (the “Listing Rules”) were as follows:

Interest in the Company

Name of director	Number of ordinary shares			Total
	Personal interests	Family interests	Other interests	
Mr. Hui Wing Mau	–	–	618,571,397 (Note 1)	618,571,397
Ms. Hui Mei Mei, Carol	–	–	618,571,397 (Note 1)	618,571,397
Mr. Hui Sai Tan, Jason	–	–	618,571,397 (Note 1)	618,571,397
Ms. Lee Yuk Ying	5,100	1,222,000 (Note 2)	–	1,227,100

Notes:

- (1) The interest disclosed represents the interest in the Company which is held by Perfect Zone International Limited, a company which is directly wholly-owned by Overseas Investment Group International Limited as trustee of a unit trust, all the units of which are held by Ansbacher (BVI) Limited as trustee of The WM Hui Family Trust, a discretionary trust set up by Mr. Hui Wing Mau for the benefit of his wife and children. Ms. Hui Mei Mei, Carol and Mr. Hui Sai Tan, Jason are the children of Mr. Hui Wing Mau and accordingly, Mr. Hui Wing Mau, Ms. Hui Mei Mei, Carol and Mr. Hui Sai Tan, Jason are deemed to be interested in the interest by virtue of section 345(4) of the SFO.
- (2) The interest disclosed represents the family interest of Ms. Lee Yuk Ying in the Company held by her spouse by virtue of section 344(1) of the SFO.

Save as disclosed above, none of the directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (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 contained in the Listing Rules.

SHARE OPTIONS

Under the terms of the share option scheme (the "Scheme") adopted by the Company for the primary purpose of providing incentives to directors and eligible employees, the directors of the Company may, at their discretion, grant options to employees of the Group, including executive directors of the Company to subscribe for shares. The options granted will entitle the holders to subscribe for shares during such periods as may be determined by the directors at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing price of the shares on the Stock Exchange on the five trading days immediately proceeding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the share capital of the Company in issue from time to time, and the maximum number of shares in respect of which options may be granted to any employee may not exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme. Any shares allotted on the exercise of options will rank pari passu in all respects with the other shares in issue at the date of exercise of the relevant options.

As at 31st December 2003, there was no outstanding share option and no share options were granted or exercised during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its fellow subsidiaries or its ultimate holding company a party to any arrangement 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.

SUBSTANTIAL SHAREHOLDERS

At 31st December 2003, the following persons (other than a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were:

Name	Number of shares held	Percentage of shareholding
Perfect Zone International Limited	618,571,397 (<i>Note</i>)	74.74%
Overseas Investment Group International Limited	618,571,397 (<i>Note</i>)	74.74%
Ansbacher (BVI) Limited	618,571,397 (<i>Note</i>)	74.74%

Note: The interest disclosed represents the interest in the Company which is held by Perfect Zone International Limited, a company which is directly wholly-owned by Overseas Investment Group International Limited as trustee of a unit trust, all the units of which are held by Ansbacher (BVI) Limited as trustee of The WM Hui Family Trust, a discretionary trust set up by Mr. Hui Wing Mau, a director of the Company, for the benefit of his wife and children.

Save as disclosed above, no other person (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total turnover and purchases, respectively, during the year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CORPORATE GOVERNANCE

The Company has in compliance throughout the year ended 31st December 2003 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors of the Company were not appointed for any specific terms.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Hui Wing Mau, a director of the Company, owns certain investment properties in China, which are held for rental purposes. Mr. Hui also engages in property development business in China. Ms. Hui Mei Mei, Carol, Mr. Hui Sai Tan, Jason and Ms. Lee Yuk Ying, directors of the Company, hold senior management positions in such businesses of Mr. Hui.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were auditors of the Company for the two years ended 31st December 2001 and 2002. For the year ended 31st December 2003, Messrs. PricewaterhouseCoopers acted as auditors of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. PricewaterhouseCoopers as auditors of the Company.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 26th February 2004