

*For the year ended 31 December 2003*

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the holding of equity or equity-related investments and the provision of management services to these investee companies.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 14 to 47.

The directors do not recommend the payment of a dividend.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are shown in note 12 to the financial statements.

### SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's principal subsidiaries and the Group's principal associates and jointly controlled entities as at 31 December 2003 are set out in notes 13 to 15 to the financial statements respectively.

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24 to the financial statements.

### FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 48.

### DIRECTORS

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

#### Executive directors

Lam Sai Ho, Anthony	(resigned on 22 March 2004)
Leung Chi Keung	(resigned on 10 March 2003)
Lo Wai Mei	(resigned on 14 March 2003)
Lam Wo	(appointed on 10 March 2003)
Cheuk Yuk Lung	(appointed on 22 March 2004)

**Independent non-executive directors**

Yan Mou Keung, Ronald

Chan Fai Yue, Leo

In accordance with the Company's Bye-Laws, Mr. Cheuk Yuk Lung and Mr. Chan Fai Yue, Leo shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

**BIOGRAPHICAL DETAILS OF DIRECTORS**

The biographical details of the directors of the Company are as follows:

**Executive Directors**

**Mr. Lam Wo**, aged 44, was appointed as an executive director of the Company in 2003 and was then appointed as the Chairman of the Company in 2004. Mr. Lam graduated from the Faculty of Business Administration in Hong Kong Shue Yan College. He has extensive experience in the fields of investment, finance and management.

**Mr. Cheuk Yuk Lung**, aged 38, was appointed as an executive director of the Company in 2004. He is a Fellow Member of the Association of Chartered Certified Accountants and an Associate Member of the Hong Kong Society of Accountants. Mr. Cheuk has extensive professional experience in management, finance, accounting and auditing fields.

**Independent Non-Executive Directors**

**Mr. Yan Mou Keung, Ronald**, aged 50, was appointed as an independent non-executive director of the Company in 2001. Mr. Yan has more than 18 years of experience in running retail fashions. Mr. Yan is the Director of Art Concept International Culture Studies Foundation Funds. He is also the Hon Life President of Tsimshatsui Kai Fong Welfare Association, Vice President of HK Island/Northern District Scout Association, Hong Kong, Hon Life President of Artiste Training Alumni Association, the President of Pragmatic Kwon-Do and the Chairman of Chung Hop Pai, Lau Kan Tung Chinese Martial Arts Association.

**Mr. Chan Fai Yue, Leo**, aged 62, was appointed as an independent non-executive director of the Company in 2001. Mr. Chan has over 20 years of invaluable experience in Hong Kong stock market and manufacturing. During his early years in Japan, he exposed in trading and finance fields. He is a director of a paint manufacturing company in Bangkok. Mr. Chan is a member of The Hong Kong Institution of Directors.

**DIRECTORS' SERVICE CONTRACT**

None of the directors has a service contract with the Company which cannot be terminated by the Company within one year without payment of compensation.

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

As at 31 December 2003, none of the directors nor any of their associates had any interests and short positions 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 (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO.

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## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

The Company has adopted a share option scheme (the "Share Option Scheme") on 10 December 2001. The purposes of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives and rewards for their contribution to the Group. The Board may, at its discretion, offer employees (including directors) of the Company and/or any of its subsidiaries and other persons who, in the sole discretion of the Board have contributed to the Group, options to subscribe for such number of shares at the subscription price as the Board may determine. Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

The maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 10% of the total number of shares of the Company in issue prior to the listing of the shares of the Company on the Stock Exchange.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of shares in issue as at the date of grant.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in their absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing prices of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the daily quotations sheet of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share.

All option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period commencing from the date on which the option is accepted or such later date as the Board may decide (the "Commencement Date") and expiring on an expiry date determined by the Board which shall not be later than the 5th anniversary of the Commencement Date in respect of the relevant option.

The Share Option Scheme will remain in force for a period of 5 years from 10 December 2001.

No option was granted, exercised, lapsed or cancelled during the year or remained outstanding as at 31 December 2003.

The total number of shares available for grant and issue under the Share Option Scheme is 8,999,000 shares representing 2.08% of the issued share capital as at the date of this report.

Save as disclosed above, at no time during the year was the Company or any of its 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 securities of the Company.

## DIRECTORS' INTERESTS IN CONTRACTS

Details of the directors' interests in contracts of significance in relation to the Group's business are set out in note 30(a) to the financial statements.

Save as disclosed above, no other contracts of significance in relation to the Group's business to which the Company or any of its 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 year or at any time during the year.

## MANAGEMENT CONTRACTS

On 6 September 2001, GR Investment Holdings Limited ("GR Holdings") entered into an agreement ("the Agreement") with Sinox Fund Management Limited ("SINOX") to extend for one year (from 1 September 2001 to 31 August 2002) the investment management agreement made between GR Holdings and SINOX which expired on 31 August 2001, whereby GR Holdings agrees to engage SINOX and SINOX agrees to serve GR Holdings as the investment manager to provide GR Holdings with investment management services and administrative services. SINOX shall receive from GR Holdings a management fee of 1.5 per cent per annum of the net asset value of GR Holdings payable at the end of each quarter. The Agreement shall be automatically renewable for additional, consecutive term of one year each unless either party provides written notice of at least six months and shall be on substantially the same terms and conditions of the previous agreement which expired on 31 August 2001.

On 12 December 2001, GR Holdings became the wholly owned subsidiary of the Company and accordingly the Company then replaced GR Holdings and assumed one of the parties to the Agreement.

The directors, including the Company's independent non-executive directors, Mr. Yan Mou Keung, Ronald and Mr. Chan Fai Yue, Leo, considered that the Agreement is in the best interests of the Company and was entered into on normal commercial terms, in the ordinary course of business of the Company and that the rate of the management fee is fair and reasonable so far as the shareholders of the Company are concerned.

Pursuant to Rule 21.13 of the Listing Rules, SINOX is a connected person of the Company and, accordingly, the investment management agreement constitutes a connected transaction for the Company under the Listing Rules.

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

## CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 31 to the financial statements. This connected transaction also constitutes a related party transaction.

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## SUBSTANTIAL SHAREHOLDERS

The register required to be kept by the Company pursuant to Section 336 of the SFO shows that the following persons had interests and short positions in the shares and underlying shares of the Company at 31 December 2003:

### Long positions in shares of the Company

Name	Personal* Interests	Family+ Interests	Corporate# Interests	Total Interests	Percentage of	Notes
					issued share capital of the Company	
Golden Resources Development International Limited	—	—	129,402,000	129,402,000	29.95%	1
Dynamic Lead Limited	—	—	52,361,100	52,361,100	12.12%	2
Baron Asset Management Limited	—	—	25,899,916	25,899,916	6.00%	3
Mak Wai Chun	—	—	78,261,016	78,261,016	18.12%	2, 3
Wan Chuen Chung, Joseph	—	—	78,261,016	78,261,016	18.12%	2, 3
Aimstar Investments Limited	—	—	34,000,000	34,000,000	7.87%	4
Sze Sun Sun, Tony	—	—	34,000,000	34,000,000	7.87%	4
Cosmopolitan International Holdings Limited	—	—	29,092,084	29,092,084	6.74%	

\* Beneficial owner

+ Interests of spouse

# Interests beneficially held by the company itself or through companies controlled by it

#### Notes:

- The corporate interests of Golden Resources Development International Limited were attributable on account through a number of its wholly-owned subsidiaries. Ringo Resources Limited held 129,402,000 shares and was a wholly-owned subsidiary of Better Choice Investments Limited which in turn was a wholly-owned subsidiary of Reo Developments Limited. Reo Developments Limited was a wholly-owned subsidiary of Golden Resources Development International Limited. Accordingly, Better Choice Investments Limited, Reo Developments Limited and Golden Resources Development International Limited were all deemed to be interested in the 129,402,000 shares held by Ringo Resources Limited.
- Dynamic Lead Limited was a wholly-owned subsidiary of Baron Strategic Holdings Limited, which was beneficially owned as to 50% by Mr. Wan Chuen Chung, Joseph and 50% by Ms. Mak Wai Chun. Mr. Wan Chuen Chung, Joseph and Ms. Mak Wai Chun were a married couple. Accordingly, Baron Strategic Holdings Limited, Mr. Wan Chuen Chung, Joseph and Ms. Mak Wai Chun were all deemed to be interested in 52,361,100 shares held by Dynamic Lead Limited.

3. Baron Asset Management Limited was a wholly-owned subsidiary of Baron Strategic Holdings Limited, which was beneficially owned as to 50% by Mr. Wan Chuen Chung, Joseph and 50% by Ms. Mak Wai Chun. Mr. Wan Chuen Chung, Joseph and Ms. Mak Wai Chun were a married couple. Accordingly, Baron Strategic Holdings Limited, Mr. Wan Chuen Chung, Joseph and Ms. Mak Wai Chun were all deemed to be interested in 25,899,916 shares held by Baron Asset Management Limited.
4. Aimstar Investments Limited was wholly-owned by Mr. Sze Sun Sun, Tony. Mr. Sze Sun Sun, Tony was therefore deemed to be interested in 34,000,000 shares held by Aimstar Investments Limited.

Save as disclosed above, as at 31 December 2003, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register that required to be kept by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

## **PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the Company Act (1981) of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **CODE OF BEST PRACTICE**

Under the requirements of the Listing Rules, an audit committee was formed on 7 January 2002 to review and supervise the Company's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors namely Mr. Yan Mou Keung, Ronald and Mr. Chan Fai Yue, Leo so as to ensure that the Code of Best Practice as set out in Appendix 14 of the Listing Rules ("the Code of Best Practice") can be duly complied with. Meetings of the audit committee will be held at least twice annually.

In the opinion of the directors, the Company has complied with the Code of Best Practice throughout the year except that the independent non-executive directors of the Company are not appointed for a specific term as they 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.

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## AUDITORS

On 28 August 2000, PricewaterhouseCoopers tendered their resignation as the auditors of GR Holdings and then Grant Thornton was appointed as auditors by the Board on the same date to fill the casual vacancy.

On 9 July 2001, Grant Thornton was appointed as the first auditors of the Company. On 1 November 2001, Grant Thornton tendered their resignation as the auditors of both the Company and GR Holdings. Subsequently, HLM & Co. was appointed as auditors of the Company by the Board on the same date to fill the casual vacancy.

On 1 September 2003, HLM & Co. tendered their resignation as the auditors of the Company and then RSM Nelson Wheeler was appointed as auditors of the Company by the Board on the same date to fill the casual vacancy.

RSM Nelson Wheeler retires and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**LEE Yip Wah, Peter**

Secretary

Hong Kong, 25 March 2004