

# REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2003.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. It provides corporate management services to its group companies. The activities of the Company's principal subsidiaries are set out in note 14 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the financial statements.

## RESULTS AND APPROPRIATIONS

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

The directors do not recommend the payment of a final dividend for the year.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements. Distributable reserves of the Company at 31 December 2003 amounted to HK\$211,045,000.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$11,000.

## FIXED ASSETS

Details of movements in the fixed assets of the Group and the Company during the year are set out in note 12 the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2003 are set out on page 80.

## SHARE CAPITAL

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

## BORROWINGS AND INTEREST CAPITALISED

Analyses of the maturity of bank loans and other loans are set out in note 26 and 27 to the financial statements.

Interest capitalised by the Group during the year amounted to approximately HK\$2,771,000 in respect of properties under development and properties under development for sale.

## 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 79.

## DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors:

Fung Ka Pun *(Executive Co-Chairman)*

Wong Sin Just *(Executive Co-Chairman)*

Independent non-executive directors:

Ongpin Roberto V.

Chung Cho Yee, Mico

In accordance with clause 99 of the Company's New Bye-laws, all remaining directors retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The term of office for non-executive directors of the Company are subject to retirement and re-election at the annual general meeting in accordance with the Company's New Bye-laws.

## DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in the section "Connected Transactions", no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its 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.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2003, the interests of each Director and chief executive and their associates in the shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) in Hong Kong as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of director	Number of shares of the Company held - long positions	
	Personal interests	Corporate interests
Fung Ka Pun	1,657,425	151,454,978 (Note 1)
Wong Sin Just	—	149,050,000 (Note 2)

Name of Associated Corporation	Name of director	Number of shares of the Associated Corporation held - long positions	
		Personal interests	Deemed interests
SBI E2-Capital Holdings Limited	Fung Ka Pun	3,750,000	— (Note 3)
SBI E2-Capital Holdings Limited	Wong Sin Just	3,750,000	— (Note 3)
SBI E2-Capital Limited	Wong Sin Just	6	— (Note 4)
Boxmore Limited	Fung Ka Pun	—	2,955,760 (Note 5)
Winpac Enterprises Limited	Fung Ka Pun	—	50,000 (Note 6)

Notes:

- (1) Mr. Fung Ka Pun has beneficial interests in Bo Hing Limited and Goodwill International (Holdings) Limited ("Goodwill International"), which were interested in 2,660,433 shares and 148,794,545 shares in the Company respectively as at 31 December 2003, representing approximately 26.46% in the issued share capital of the Company. Goodwill International is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".
- (2) Mr. Wong Sin Just has beneficial interests in e2-Capital Inc., which was interested in 149,050,000 shares in the Company as at 31 December 2003, representing approximately 26.04% in the issued share capital of the Company. e2-Capital Inc. is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".
- (3) Mr. Fung Ka Pun and Mr. Wong Sin Just each hold 3,750,000 shares representing approximately 3% in the issued share capital of SBI E2-Capital Holdings Limited. These shares were disposed to the market on 21 January 2004.
- (4) Mr. Wong Sin Just holds 6 shares, representing 2% in the issued share capital of SBI E2-Capital Limited.
- (5) Mr. Fung Ka Pun is one of the beneficiaries of the trust which holds 40% interest in the issued share capital of Boxmore Limited. The spouse of Mr. Fung Ka Pun has 50% interest in the trust.
- (6) The spouse of Mr. Fung Ka Pun holds 50,000 shares, representing 5% in the issued share capital of Winpac Enterprises Limited.

Other than as disclosed above, as at 31 December 2003, none of the directors and chief executive and their associates had any other interests in shares in, or debentures of, the Company or any of its Associated Corporations which had been entered in the register maintained by the Company under Section 352 of the SFO.

## SHARE OPTION SCHEME

At 31 December 2003, there was no share option scheme adopted by the Company.

At no time during the year was the Company or any of its Associated Corporations 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 and none of the directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its Associated Corporation.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 the SFO shows that as at 31 December 2003, the Company had been notified of the following substantial shareholders' interests:

Name of shareholder	Number of shares - long positions	Percentage of issued share capital	Remarks
e2-Capital Inc.	149,050,000	26.04	
Coutts (Cayman) Limited	149,050,000	26.04	} Duplication of e2-Capital Inc.'s holding
Goodwill International	148,794,545	26.00	
Kua Phek Long	36,252,500	6.33	
Softbank Investment International (Strategic) Limited	32,500,000	5.68	
Strategic Capital Holdings Limited	32,460,000	5.67	

Other than as disclosed above, as at 31 December 2003, the Company had not been notified of any other interests or short positions in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

# REPORT OF THE DIRECTORS

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's New Bye-laws and there was no restriction against such rights under the laws of Bermuda.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the five largest customers combined and the five largest suppliers combined are less than 30% of the Group's total turnover and purchases, respectively.

## MANAGEMENT CONTRACTS

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.

## CONNECTED TRANSACTIONS

During the year ended 31 December 2003, there were no transactions which constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), and are required to be disclosed in accordance with Chapter 14 of the Listing Rules were entered by the Group.

## SUBSEQUENT EVENTS

Details of significant post balance sheet events are set out in note 35 to the financial statements.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules.

## AUDIT COMMITTEE

The written terms of reference which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants.

# REPORT OF THE DIRECTORS

The Audit Committee provides an important link between the Board and the Company's auditors in matters within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors of the Company, namely Mr. Ongpin Roberto V and Mr. Chung Cho Yee, Mico.

The Audit Committee had reviewed the annual report of the Group for the year ended 31 December 2003 with the Board prior to recommending the same to the Board for approval.

## AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers replaced Deloitte Touche Tohmatsu when it did not stand for reappointment at the annual general meeting on 1 June 2001.

On behalf of the Board

**Fung Ka Pun**  
*EXECUTIVE CO-CHAIRMAN*

**Wong Sin Just**  
*EXECUTIVE CO-CHAIRMAN*

19 March 2004