

REPORT

OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements. Other than the disposal and discontinuance of the Group’s apparel business, further details of which are included in note 6 to the financial statements, there were no other significant changes in the nature of the principal activities of the Group during the year.

RESULTS AND DIVIDENDS

The Group’s profit for the year 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 32 to 87.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 88. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTY

Details of movements in the fixed assets and investment property of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the Company’s authorised share capital during the year. Details of movements in the Company’s share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements, respectively.

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PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company had distributable reserves of approximately HK\$46,856,000. Under the laws of Bermuda, the share premium of the Company of approximately HK\$325,986,000 as at 31 December 2003 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 53% of the total sales for the year and the sales to the largest customer included therein amounted to 26%.

Purchases from the Group's five largest suppliers accounted for 38% of the total purchases for the year and the purchases from the largest supplier included therein amounted to 9%.

None of the directors of the Company, any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or the five largest suppliers.

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DIRECTORS

The directors during the year were as follows:

Executive directors

Mr. Tsoi Tin Chun
Mr. Tsoi Kwing Ming
Mr. Lu Ping Lang
Mr. Zheng Dun Xun

Non-executive director

Mr. Cheong Soo Kiong

Independent non-executive directors

Mr. Wong Kong Hon
Mr. Liu Hongru

In accordance with the Company's bye-laws, Mr. Tsoi Kwing Ming and Mr. Lu Ping Lang will retire and only Mr. Tsoi Kwing Ming offers himself for re-election at the forthcoming annual general meeting. In addition, Mr. Sun Zhong will be appointed as a director at the forthcoming annual general meeting.

Independent non-executive directors are not appointed for specific terms as all of the directors, without limitation to independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting, in accordance with the Company's bye-laws.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 17 to 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in note 36 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

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 in existence during the year.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2003, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to 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 Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares of the Company held and nature of interest held through a controlled corporation	Percentage of the Company's issued share capital
Mr. Tsoi Tin Chun	2,382,105,842	60.56

Note: Amongst the 2,382,105,842 shares, 2,197,542,509 shares were held by Great Logistics Holdings Limited ("Great Logistics") and the remaining 184,563,333 shares represent the consideration shares which will be issued to Great Logistics upon the fulfilment of certain conditions under the agreement dated 11 November 2003 between the Company and Titan Oil Pte. Ltd. ("Titan Oil"), details of which were set out in the announcement made by the Company dated 14 November 2003. Mr. Tsoi Tin Chun is deemed to be interested in the shares of Great Logistics as a result of his holdings in Titan Oil, the ultimate holding company of Great Logistics. Great Logistics' issued share capital is beneficially and wholly owned by Titan Oil, which is in turn owned as to 95% by Mr. Tsoi Tin Chun and as to 5% by Ms. Tsoi Yuk Yi, the spouse of Mr. Tsoi Tin Chun.

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Save as disclosed above, none of the directors or the chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Director's and chief executive's interests and short positions in shares and underlying shares and debentures" above and in the share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Long positions:

Name	Number of shares held	Percentage of holding
Great Logistics	2,382,105,842 [#]	60.56
Titan Oil (<i>note 1</i>)	2,382,105,842 [#]	60.56
Ms. Tsoi Yuk Yi (<i>note 2</i>)	2,382,105,842 [#]	60.56
Ms. Tse Lai Hing	280,000,000	7.12
Mr. Tse Yin Tuen (<i>note 3</i>)	280,000,000	7.12

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The shareholding is duplicated in the disclosure in the "Director's and chief executive's interests and short positions in shares and underlying shares and debentures" section above.

Note 1: Titan Oil is beneficially interested in the entire issued share capital of Great Logistics. Therefore it is deemed to be interested in the 2,382,105,842 shares in the capital of the Company held by Great Logistics.

Note 2: Ms. Tsoi Yuk Yi is the spouse of Mr. Tsoi Tin Chun, the chairman of the Company. Ms. Tsoi Yuk Yi is also beneficially interested in 5% of the issued share capital of Titan Oil, which in turn is beneficially interested in the entire issued share capital of Great Logistics. Therefore, Ms. Tsoi Yuk Yi is deemed to be interested in the 2,382,105,842 shares in the capital of the Company held by Great Logistics.

Note 3: Mr. Tse Yin Tuen is the spouse of Ms. Tse Lai Hing. Therefore, Mr. Tse Yin Tuen is deemed to be interested in the 280,000,000 shares in the capital of the Company held by Ms. Tse Lai Hing.

Save as disclosed above, no persons, other than the directors and chief executive of the Company, whose interests are set out in the section "Director's and chief executive's interests and short positions in shares and underlying shares and debentures" above had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions entered during the year are set out in note 36 to the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those businesses to which the directors were appointed as directors to represent the interest of the Company and/or the Group.

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PRACTICE NOTE 19 OF THE LISTING RULES

In accordance with the disclosure requirements of paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the following disclosures are included in respect of one of the Group's loan agreements, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to loan agreements dated 16 March 2004 between the Company's subsidiaries and DBS Bank Limited, relating to term loan facilities and a revolving credit facility of US\$38.5 million (equivalent to approximately HK\$300.3 million), Great Logistics has charged a total of 500,000,000 ordinary shares of the Company.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

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 of the Listing Rules throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises two of the independent non-executive directors of the Company. The Group's financial statements for the year ended 31 December 2003 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Tsoi Tin Chun

Chairman

Hong Kong

29 March 2004