

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and 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 principal subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities 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 22 to 54.

The directors recommend the payment of a final dividend of HK1.2 cents per ordinary share in respect of the year to shareholders on the register of members on 27 May 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

# REPORT OF THE DIRECTORS

## FINANCIAL INFORMATION SUMMARY

The following is a summary of the published combined/consolidated results and assets and liabilities of the Group for the five years ended 31 December 1999, 2000, 2001, 2002 and 2003, prepared on the basis set out in the note below:

### Results

	Year ended 31 December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	<u>421,717</u>	<u>502,793</u>	<u>441,458</u>	<u>273,627</u>	<u>183,057</u>
PROFIT FROM OPERATIONS	<u>61,292</u>	<u>76,331</u>	<u>60,542</u>	<u>37,623</u>	<u>24,727</u>
Finance costs	<u>(84)</u>	<u>(1,102)</u>	<u>(796)</u>	<u>(536)</u>	<u>(317)</u>
PROFIT BEFORE TAXATION	<u>61,208</u>	<u>75,229</u>	<u>59,746</u>	<u>37,087</u>	<u>24,410</u>
Taxation	<u>(4,312)</u>	<u>(12,866)</u>	<u>(9,658)</u>	<u>(5,929)</u>	<u>(3,847)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u>56,896</u>	<u>62,363</u>	<u>50,088</u>	<u>31,158</u>	<u>20,563</u>

### Assets and liabilities

	At 31 December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS	<u>152,849</u>	<u>102,940</u>	<u>86,582</u>	<u>44,002</u>	<u>16,526</u>
CURRENT ASSETS	<u>243,235</u>	<u>218,153</u>	<u>156,517</u>	<u>86,771</u>	<u>56,037</u>
TOTAL ASSETS	<u>396,084</u>	<u>321,093</u>	<u>243,099</u>	<u>130,773</u>	<u>72,563</u>
CURRENT LIABILITIES	<u>152,969</u>	<u>124,476</u>	<u>94,981</u>	<u>75,678</u>	<u>37,855</u>
NON-CURRENT LIABILITIES	<u>161</u>	<u>415</u>	<u>4,352</u>	<u>4,011</u>	<u>2,783</u>
TOTAL LIABILITIES	<u>153,130</u>	<u>124,891</u>	<u>99,333</u>	<u>79,689</u>	<u>40,638</u>
	<u>242,954</u>	<u>196,202</u>	<u>143,766</u>	<u>51,084</u>	<u>31,925</u>

## **FINANCIAL INFORMATION SUMMARY (continued)**

*Note:* The summary of the combined results for the years ended 31 December 1999 and 2000, and of the assets and liabilities of the Group as at those dates has been extracted from the Company's prospectus dated 6 September 2001. The consolidated result for the year ended 31 December 2001 and of the assets and liabilities of the Group as at that date is set out in 2001 annual report of the Group. The consolidated results for the years ended 31 December 2002 and 2003 and of the assets and liabilities of the Group as at those dates are set out in the financial statements on pages 22 and 23, respectively. The summary of the combined/consolidated results for the years ended 31 December 1999, 2000 and 2001, and of the assets and liabilities of the Group as at 31 December 1999 and 2000 includes the results, assets and liabilities of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout the years ended 31 December 1999, 2000 and 2001.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the Group's property, plant and equipment during the year are set out in note 13 to the financial statements.

## **SHARE CAPITAL, SHARE OPTIONS AND WARRANTS**

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 21 and 22 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, 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 Company's listed securities during the year.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

At 31 December 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Law (Revised) of the Cayman Islands, amounted to HK\$132,112,000, of which HK\$17,280,000 has been proposed as final dividend for the year. This includes the Company's share premium account in the amount of HK\$113,665,000 as at 31 December 2003, which may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may also be distributed in the form of fully paid bonus shares.

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## MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases for the year, respectively.

## DIRECTORS

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

### Executive directors

Mr. Lam Ping Kei  
Ms. Wong Choi Fung  
Ms. Lam Chu Ying  
Mr. Law Wai Fai  
Mr. Yeung Kwong Lun

### Independent non-executive directors

Mr. Kwan Kai Ming  
Mr. Lin Tian Shen *(retired on 11 March 2004)*  
Mr. Sun Tian Yan *(appointed on 11 March 2004)*

In accordance with the Company's articles of association, Ms. Lam Chu Ying will retire by rotation and, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

In accordance with the Company's articles of association, Mr. Sun Tian Yan will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors is appointed for a term of two years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 11 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years (except for Ms. Lam Chu Ying, Mr. Law Wai Fai and Mr. Yeung Kwong Lun where their respective service contracts have a term of one year) commencing on 1 September 2001 (except for the service contract of Mr. Yeung Kwong Lun whose contract commenced on 1 September 2002), which continues thereafter until terminated by either party giving not less than three months notice in writing to the other party.

Save as disclosed above, 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.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance 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.

## DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, SHARE OPTIONS AND WARRANTS

As at 31 December 2003, the interests and short positions of the directors and chief executive of the Company in the shares, share options and warrants of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register kept by the Company pursuant to section 352 of the SFO or 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 were as follows:

### Long position

#### (a) Ordinary shares of HK\$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
<b>Directors</b>			
Mr. Lam Ping Kei	Held by controlled corporation ( <i>note 1</i> )	702,000,000	48.75%
Ms. Wong Choi Fung	Held by controlled corporation ( <i>note 2</i> )	<u>378,000,000</u>	<u>26.25%</u>
		<u>1,080,000,000</u>	<u>75.00%</u>

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, SHARE OPTIONS AND WARRANTS (continued)

Long position (continued)

### (b) Share options

Name	Capacity	Number of options held	Number of underlying shares
<b>Directors</b>			
Mr. Law Wai Fai	Beneficial owner	14,000,000	14,000,000
Mr. Lam Chu Ying	Beneficial owner	8,000,000	8,000,000
Mr. Yeung Kwong Lun	Beneficial owner	4,000,000	4,000,000
		<u>26,000,000</u>	<u>26,000,000</u>

### (c) Warrants

Name	Capacity	Number of warrants held	Number of underlying shares
<b>Directors</b>			
Mr. Lam Ping Kei	Held by controlled corporation (note 1)	140,400,000	140,400,000
Ms. Wong Choi Fung	Held by controlled corporation (note 2)	75,600,000	75,600,000
		<u>216,000,000</u>	<u>216,000,000</u>

## **DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, SHARE OPTIONS AND WARRANTS (continued)**

*Notes:*

1. These ordinary shares and warrants are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei.
2. These ordinary shares and warrants are owned by Fastmath Assets Limited ("Fastmath"), a company incorporated in the BVI. The entire issued share capital of Fastmath is beneficially owned by Ms. Wong Choi Fung.

Save as disclosed above, none of the other directors, chief executives and their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2003.

## **SHARE OPTION SCHEME**

Particulars of the Company's share option scheme are set out in note 22 to the financial statements.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' interests or short positions in shares, share options and warrants" and "Share option scheme" above, 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 children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS (continued)

### Long positions

#### (a) Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Super Giant	Beneficial owner	702,000,000	48.75%
Fastmath	Beneficial owner	<u>378,000,000</u>	<u>26.25%</u>
		<u>1,080,000,000</u>	<u>75.00%</u>

#### (b) Warrants

Name of shareholder	Capacity	Number of issued warrants held	Number of underlying shares
Super Giant	Beneficial owner	140,400,000	140,400,000
Fastmath	Beneficial owner	<u>75,600,000</u>	<u>75,600,000</u>
		<u>216,000,000</u>	<u>216,000,000</u>

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

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No director had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), during the year and up to the date of this report.



## 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 year.

## AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises the two independent non-executive directors of the Company, Mr. Kwan Kai Ming and Mr. Sun Tian Yan.

## AUDITORS

During the year, Ernst & Young resigned and KLL Associates CPA Limited were appointed as auditors of the Company.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint KLL Associates CPA Limited as auditors of the Company.

ON BEHALF OF THE BOARD

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**Lam Ping Kei**

*Chairman*

Hong Kong

15 April 2004