

REPORT OF THE DIRECTORS

The directors herein 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. The principal activities of its principal subsidiaries are set out in note 14 to the financial statements.

During the year, the Company acquired additional interests in Oriental Explorer Holdings Limited (“Oriental Explorer”) and Rich Returns Limited (“Rich Returns”), which became subsidiaries of the Company thereafter. The principal activities of Oriental Explorer and Rich Returns are the trading of steel products and property investment, respectively.

Apart from the above, there were no 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 16 to 61.

An interim dividend of 0.15 HK cents per ordinary share was distributed to the Company’s shareholders on 14 November 2003. The directors recommend the payment of a final dividend of 0.3 HK cents per ordinary share in respect of the year, to shareholders whose name appeared on the register of members on 30 June 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.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results of the Group for the five years ended 31 December 2003 and the consolidated assets, liabilities and minority interests of the Group for the last five financial years. The information has been extracted from the published audited financial statements of the Company, after appropriate adjustments and reclassifications. The amounts for each year in the five year summary have been adjusted for the effects of the retrospective changes in accounting policy affecting deferred tax, as detailed in note 2 to the financial statements.

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RESULTS

	Year ended 31 December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	334,252	101,890	110,891	113,425	131,307
Operating profit	80,348	36,322	28,559	11,796	45,959
Share of profits and losses of associates	(621)	1,696	4,703	(22,226)	(1,612)
Negative goodwill on acquisition of interest in an associate recognised as income	633	13,290	5,715	4,752	1,499
Profit/(loss) before tax	80,360	51,308	38,977	(5,678)	45,846
Tax	1,521	(7,401)	(4,940)	(7,771)	(12,775)
Profit/(loss) before minority interests	81,881	43,907	34,037	(13,449)	33,071
Minority interests	(27,151)	(13,259)	(13,618)	(10,619)	(11,540)
Net profit/(loss) attributable to shareholders	54,730	30,648	20,419	(24,068)	21,531

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)
Total assets	2,781,803	2,200,944	1,944,340	2,014,814	2,140,416
Total liabilities	(1,499,922)	(1,257,121)	(1,100,907)	(1,094,309)	(1,110,732)
Minority interests	(564,648)	(288,662)	(294,887)	(311,242)	(330,444)
	717,233	655,161	548,546	609,263	699,240

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 62 to 64.

PROPERTIES HELD FOR SALE

Details of the Group's properties held for sale are set out in note 20 to the financial statements. Further details of the Group's properties held for sale are set out on page 63.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

Details of the Company's share capital and share options are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

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 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company's reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$850,850,000, of which HK\$12,002,000 has been proposed as a final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 52% of the total sales for the year and sales to the largest customer included therein amounted to 21%. Purchases from the Group's five largest suppliers accounted for 76% of the total purchases of the Group and purchases from the largest supplier included therein amounted to 28%.

None of the directors of the Company or 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 and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Lau Chi Yung, Kenneth (*Chairman*)
Mr. Tsang Pak Chung, Eddy (*Vice-Chairman*)
Mr. Lau Michael Kei Chi
Mr. Cho Po Hong, Jimmy

Non-executive director:

Mr. Tong Wui Tung, Ronald

Independent non-executive directors:

Mr. Lee Siu Man, Ervin
Mr. Choy Tak Ho

In accordance with the Company's bye-laws, Mr. Cho Po Hong, Jimmy and Mr. Lee Siu Man, Ervin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a period of three years from 1 June 1998 which will continue thereafter unless and until terminated by either party with three months' prior notice in writing.

Apart from the foregoing, 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 director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group and its subsidiaries to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2003, the interests and short positions of the directors and chief executives in the share capital 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 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in the Company's ordinary shares:

Name of director	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
Mr. Lau Chi Yung, Kenneth	Corporate	<u>2,327,424,000</u>	<u>58.18</u>

The above shares are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

Long position in shares and underlying shares of the associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Shares/ Equity derivatives	Number of shares/ equity derivatives held	Capacity and nature of interest	Percentage of associated corporation's issued share capital
Mr. Lau Chi Yung, Kenneth	Oriental Explorer Holdings Limited	Company's subsidiary	Ordinary shares	1,018,154,999	Corporate	56.56
			Share options	19,500,000	Directly beneficially owned	N/A
Mr. Tsang Pak Chung, Eddy	Oriental Explorer Holdings Limited	Company's subsidiary	Share options	19,500,000	Directly beneficially owned	N/A

The interest of Mr. Lau Chi Yung, Kenneth in the shares of Oriental Explorer Holdings Limited are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors and chief executives had registered an interest 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 otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" 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 minor children 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.

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

At the balance sheet date, the following shareholders had notified the Company of a direct or indirect interest in 5% or more of the issued share capital of the Company:

	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Power Resources Holdings Limited #	Through a controlled corporation	2,327,424,000	58.18
Lucky Speculator Limited	Directly beneficially owned	2,195,424,000	54.88
Neich Holdings Limited	Directly beneficially owned	358,091,712	8.95

Power Resources Holdings Limited was deemed to have a beneficial interest in 2,327,424,000 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and its wholly-owned subsidiary which held shares in the Company.

Save as disclosed above, no person, other than the directors and chief executives of the Company, whose interest are set out in the section "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" 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.

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 of the Stock Exchange, throughout the accounting period covered by the annual report, except that the 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 at the annual general meeting of the Company, in accordance with the provisions of 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 Group's financial reporting process and internal controls. The audit committee comprises the three non-executive directors of the Company.

AUDITORS

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

ON BEHALF OF THE BOARD

Lau Chi Yung, Kenneth
Chairman

Hong Kong
16 April 2004