



## Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 11 to the financial statements.

### RESULTS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 18.

The Directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

### SHARE CAPITAL

Details of the Company's share capital are set out in note 23 to the financial statements. There was no movement in the Company's share capital during the year.

### RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 24 to the financial statements.

The Company's reserves available for distributions represent the share premium, contributed surplus and accumulated losses with an aggregate amount of approximately HK\$90,533,000.

### DIRECTORS

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

#### Executive Directors:

Mr. Wong Yin Sen (*Chairman and president*)

Mr. Hon Lik (*Vice Chairman*)

Mr. Wong Hei Lin (*Vice president*)

Mr. Li Kim Hung

(appointed on 1 March 2004)

Mr. Yu Yanming

(resigned on 1 March 2004)

## Non-executive Director:

Ms. Cheng Kong Yin

## Independent non-executive Directors:

Mr. Pang Hong

Mr. Mo Kwan Nin

In accordance with Articles 87 and 88 of the Company's Articles of Association, Mr. Wong Yin Sen, being the Chairman of the Company is not required to retire by rotation and Messrs. Wong Hei Lin and Mo Kwan Nin shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The non-executive Directors have no set term of office but are subject to retirement by rotation, and being eligible, offer themselves for re-election, in accordance with the Company's Articles of Association.

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the interests and short positions of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as 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 (the "Model Code") were as follows:

### Long positions in the ordinary shares of HK\$0.10 each in the Company

Name of director	Capacity	Number of shares held	Percentage of shareholding
Mr. Wong Yin Sen	Interest of a controlled corporation (Note 1)	438,000,000	75%
Mr. Hon Lik	Interest of a controlled corporation (Note 1)	438,000,000	75%
Mr. Wong Hei Lin	Other (Note 1)	438,000,000	75%
Ms. Cheng Kong Yin	Interest of spouse (Note 2)	438,000,000	75%

Notes:

(1) Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin are beneficially interested in 46.25%, 42.50% and 11.25% respectively of the entire issued share capital of the major shareholder, Absolute Target Limited, which holds 438,000,000 shares in the Company, representing 75% of the entire issued ordinary shares of HK\$0.10 each in the Company.

(2) As Ms. Cheng Kong Yin is the spouse of Mr. Wong Yin Sen, she is deemed to be interested in these shares owned by her spouse.



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Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin are beneficially interested in 4,625 shares of US\$1.00 each, 4,250 shares of US\$1.00 each and 1,125 shares of US\$1.00 each representing 46.25%, 42.50% and 11.25% respectively of the entire issued share capital of Absolute Target Limited, an associated corporation (within the meaning of Section 352 of the SFO).

Save as disclosed above, as at 31 December 2003, none of the Directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

In accordance with the terms of an old share option scheme (the "Old Scheme") adopted by the Company on 6 April 2001, the Board is authorised, at its absolute discretion, to grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares of the Company. The Old Scheme became effective upon the listing of the shares of the Company on the Stock Exchange on 9 May 2001. Options granted may be exercised in accordance with the terms of the Old Scheme at any time during the three-year period commencing on the date on which the option is accepted and expire on the last day of the three-year period or the tenth anniversary of the date the Old Scheme is adopted, whichever is the earlier:

On 30 May 2003, the Company passed an ordinary resolution at the annual general meeting regarding the termination of the Old Scheme and adopted a new share option scheme (the "New Scheme") for the primary purpose of providing incentives to the participants of the New Scheme. Under the terms of the New Scheme, the Board is authorised, at its absolute discretion, to grant options to the participants, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Options granted may be exercised in accordance with the terms of the New Scheme at any time during the five-year period commencing on the date on which the option is accepted and expire on the last day of the five-year period.

As at the date of this report, no options have been granted to any eligible employees/participants under both the Old Scheme and the New Scheme.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company a party to any arrangements to enable the Directors or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, the Group received rental income of approximately HK\$195,000 from Shenyang SBT Technology Development Company Limited ("SBT"), in which Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin are interested in by virtue of their shareholdings in Weston Technologies Corporation, the ultimate holding company of SBT and are the directors of SBT. Details of the transaction are set out in note 32 to the financial statements.

Other than as disclosed above, no contracts of significance to which the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2003, the register of substantial shareholders required to be kept by the Company pursuant to Section 336 of the SFO show that the following shareholder had notified the Company of its interests or short positions in the shares or underlying shares of the Company:

#### **Long positions in the ordinary shares of HK\$0.10 each in the Company**

<b>Name</b>	<b>Number of shares beneficially held</b>	<b>Percentage of holding</b>
Absolute Target Limited	438,000,000	75%

### **PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY**

Certain amendments to the Listing Rules relating to corporate governance issues became effective on 31 March 2004. In order to bring the existing Articles of Association of the Company (the "Existing Articles") in line with the changes brought upon by the amendments to the Listing Rules, the Directors propose to amend the Existing Articles. Details of the proposed amendments to the Existing Articles will be set out in a circular to be despatched to shareholders of the Company together with the 2003 annual report.

### **AUDIT COMMITTEE**

The audit committee of the Company and the management of the Company have reviewed the accounting principles and practices adopted by the Group and have discussed the matters related to auditing, financial reporting procedures and internal control, including the review of the final results of the Group for the year ended 31 December 2003.

### **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, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the largest customer of the Group by itself and together with the next four largest customers accounted for about 14% and 47%, respectively, of the Group's turnover:

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for about 46% and 70%, respectively, of the Group's purchases.



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None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) have any interest in the five largest customers or suppliers of the Group.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES**

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

### **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2003.

### **AUDITORS**

A resolution will be proposed to the shareholders at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Mr. Wong Yin Sen**

*Chairman*

Hong Kong, 22 April 2004