

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2003.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property development, property leasing and provision of building management services in Hong Kong. Other particulars of the subsidiaries are set out in note 15 to the financial statements.

## **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 December 2003 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 25 to 86.

The Board of Directors recommend a final dividend of HK\$0.02 per share for the year 2003 (2002: Nil). Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be dispatched on or before 18 June 2004.

## **PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

## **SUBSIDIARIES AND ASSOCIATES**

Particulars of the Group's principal subsidiaries and associates are set out in notes 15 and 16 to the financial statements.

## **BORROWINGS AND INTEREST CAPITALISED**

Particulars of the borrowings of the Group at the balance sheet date are set out in note 27 to the financial statements.

During the year, the Group has not capitalised any interest (2002: HK\$Nil).

## **SHARE CAPITAL**

Details of the movements in share capital of the Company are set out in note 30 to the financial statements.

## **RESERVES**

Movements in reserves of the Group and the Company during the year are set out in note 33 to the financial statements.

# Report of the Directors

## **WARRANTS**

Particulars of warrants are set out in note 32 to the financial statements.

## **SHARE OPTIONS**

Particulars of the share options granted are set out in note 31 to the financial statements.

## **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 88.

## **PROPERTIES**

Particulars of the major properties held by the Group are set out on page 87.

## **DIRECTORS**

The Directors of the Company are listed on page 4. The Directors' biographical information is set out on pages 11 to 13.

In accordance with the Company's bye-laws, Mr. Meng Qinghui who was appointed during the year shall hold his office until the forthcoming annual general meeting and, being eligible, offer himself for election. In addition, Messrs. Tse Chun Kong Thomas and Yuen Hing Man, shall retire from office in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## **DIRECTORS' SERVICE CONTRACTS**

Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's bye-laws.

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 AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2003 the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under 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 the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows :

Name of Director	Number of Shares	Number of Underlying Shares	Capacity	Approximate Percentage of Interests
Foo Kam Chu, Grace	—	226,000 <sup>1</sup>	Beneficial owner	0.32
	42,462,400 <sup>2</sup>	—	Interest of controlled corporation	60.92
Tse Chun Kong, Thomas	603	—	Beneficial owner	0.00
	5,000	—	Interest of spouse	0.01
Chan Wai Ling	—	150,000 <sup>1</sup>	Beneficial owner	0.22
	—	60,000 <sup>1</sup>	Interest of spouse	0.09
Kwan Chai Ming	—	70,000 <sup>1</sup>	Beneficial owner	0.10
Liu Hanbo	—	60,000 <sup>1</sup>	Beneficial owner	0.09
Meng Qinghui	—	60,000 <sup>1</sup>	Beneficial owner	0.09

Notes:

- Shares options granted and remained outstanding as at 31 December 2004;
- 42,462,400 was held by Ko Bee Limited ("Ko Bee") which was beneficially wholly owned by Foo Kam Chu, Grace.

# Report of the Directors

Save as disclosed above, as at 31 December 2003, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as (i) disclosed under the heading of "Share Option Schemes" in note 31 to the financial statements; and (ii) 7,370,400 units of warrants granted (details of such warrants are disclosed in note 32 to the financial statements) to Ko Bee, at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities including debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 December 2003, the persons or companies (other than Directors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

<b>Name</b>	<b>Number of Shares</b>	<b>Number of Underlying Shares</b>	<b>Approximate Percentage of Interests</b>
Ko Bee Limited	42,462,400	—	60.92
China Ocean Shipping (Group) Company	6,614,720 <sup>1</sup>	—	9.49
	—	1,322,944 <sup>2</sup>	1.90
COSCO International Holdings Limited	2,908,800 <sup>3</sup>	—	4.17
	—	581,760 <sup>4</sup>	0.83

## Notes:

1. 3,705,920 shares and 2,908,800 shares of the Company were held by COSCO Investments Limited and Graceful Nice Limited respectively, both of which were indirect subsidiaries of China Ocean Shipping (Group) Company;
2. 741,184 unites of warrant and 581,760 units of warrant of the Company were held by COSCO Investments Limited and Graceful Nice Limited respectively, both of which were indirect subsidiaries of China Ocean Shipping (Group) Company;
3. COSCO International Holdings Limited is the intermediate holding company of Graceful Nice Limited, 2,908,800 shares as disclosed in note 1 above were held through COSCO International Holdings Limited and Graceful Nice Limited; and
4. COSCO International Holdings Limited is the intermediate holding company of Graceful Nice Limited, 581,760 units of warrants as disclosed in note 2 above were held through COSCO International Holdings Limited and Graceful Nice Limited.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in (i) the paragraph under the heading of "Director's Right to Acquire Shares and Debentures" above and (ii) paragraphs (a), (b), (c) and (d) under the heading of "Related Party Transactions" in note 37 to the financial statements, no contracts of significance in relation to the Company's business to which the 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.

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, approximately 2% of the Group's purchases were attributable to the Group's largest supplier and approximately 5% of the Group's purchases were attributable to the Group's five largest suppliers.

During the year, approximately 7% of the Group's turnover were attributable to the Group's largest customer and approximately 25% of the Group's turnover were attributable to the Group's five largest customers.

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

## **CONNECTED TRANSACTIONS**

During the year, there was no transaction which need to be disclosed as connected transaction in accordance with the requirement of the Listing Rules.

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

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

# Report of the Directors

## 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.

## CODE OF BEST PRACTICE

Save that non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's bye-laws, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2003.

## DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

Pursuant to paragraph 3.7.1 of the Practice Note 19 of the Listing Rules, the conditions imposing specific performance obligations on any controlling shareholder in relation to bank facilities granted to the Group are set out below.

Pursuant to a Loan Agreement dated 20 October 2000, it is a condition, inter alia, to the availability of banking facility granted to a wholly owned subsidiary ("the Subsidiary") of the Company that Madam Foo, inter alia, shall enter into a subordination agreement in which all sums for which the Subsidiary was then indebted (if any) and may thereafter become indebted to Madam Foo will be subordinated to bank borrowings.

## AUDITORS

The former auditors of the Company, Messrs. Moores Rowland have resigned as auditors of the Company effective from 20 February 2003 and Messrs. Grant Thornton was appointed as auditors of the Company to fill the vacancy for the 2002 audited financial statements. The resignation and appointment were approved by the shareholders of the Company in its Special General Meeting convened on 3 April 2003.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Grant Thornton.

By order of the Board

**Foo Kam Chu, Grace**

*Chairman*

Hong Kong, 21 April 2004