

08 Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries during the year are investments in securities listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and unlisted investments with a potential for earnings growth and capital appreciation. The activities of the principal subsidiaries are set out in Note 15 to the financial statements.

The Group's turnover for the year comprised dividends from listed and unlisted investments, and interest earned from investments in convertible bonds, bank deposits and other sources.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 16.

The directors do not recommend payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 23 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in Note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 22 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December, 2003 are set out in Note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association or the laws of the Cayman Islands.

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 62.

CONVERTIBLE BONDS

Details of the convertible bonds issued by a subsidiary of the Group are set out in Note 25 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTION

The Company do not have share option scheme during the year.

DIRECTORS

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

Lee Fong Lit David

Chow Pok Yu Augustine

Lam Andy Siu Wing, JP (appointed on 23rd March, 2004)

Tong Kim Weng Kelly

Ong Hong Hoon

In accordance with the Company's Articles of Association, Mr. Lee Fong Lit David and Mr. Lam Andy Siu Wing, JP will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The following are the particular of directors proposed to be re-elected at the forthcoming annual general meeting to be held on 24th June, 2004:

Mr. Lee Fong Lit David, aged 57, has been an executive director of the Company since February 1998. Mr. Lee obtained his BSc degree from McGill University in Montreal and his MBA degree from Columbia University, New York. He assumed the Chairmanship of the Board of directors of the Company in February, 1998. Mr. Lee has over 29 years experience in the international finance and investment management industry. He is involved in investing in equity markets of Singapore, Malaysia and Hong Kong. There is no service contract between the Company and Mr. Lee. Mr. Lee is also a director of Harmony Asset Management Limited which is the investment manager of the Company since June 1998. Mr. Lee has corporate interest in 36,001,576 shares of HK\$0.20 each of the Company ("Share") and in 2004 warrants to subscribe for 4,608,201 Share within the meaning of Part XV of the Securities and Futures Ordinance. For the year, the Company has not paid any remuneration to Mr. Lee.

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Mr. Lam Andy Siu Wing, JP, aged 54, has been an executive director of the Company since 2004. Mr. Lam has involved in strategic investment and planning for listed and unlisted companies over 19 years. He holds an MBA degree from Oklahoma City University. Professionally, Mr. Lam is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretaries and a Chartered Marketer. He also has served on a number of government committees, boards, and tribunals in Hong Kong and was appointed as a Justice of the Peace on 1st July, 2001. Mr. Lam is an independent non-executive director of Tanrich Financial Holdings Limited, a company listed on the Stock Exchange. Mr. Lam does not have any interest in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is no service contract between the Company and Mr. Lam. Mr. Lam is a managing director of the Company's subsidiary. His remuneration is payable on a monthly basis as determined by the Company.

Mr. Ong Hong Hoon and Mr. Tong Kim Weng Kelly are independent non-executive directors.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Details of Dr. Chow Pok Yu Augustine's interest in contracts of significance in relation to the Group's business are set out in Note 28 to the financial statements.

Save as disclosed above, no other contracts of significance in relation to the Group's business to which the Company or 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out below:

Executive Directors:

Mr. Lee Fong Lit David, aged 57, obtained his BSc degree from McGill University in Montreal and his MBA degree from Columbia University, New York. He assumed the Chairmanship of the Board of Directors of Harmony Asset Limited in February 1998. Mr. Lee has over 29 years experience in the international finance and investment management industry. He is involved in investing in equity markets of Singapore, Malaysia and Hong Kong.

Dr. Chow Pok Yu Augustine, aged 51, is also the Chief Executive Officer of the Company. He holds a MSc from London Business School and Ph.D from University of South Australia. Dr. Chow has vast experience in managing public listed companies that are involved in manufacturing, marketing and financial services and specialising in mergers and acquisitions.

Mr. Lam Andy Siu Wing, JP, aged 54, has involved in strategic investment and planning for listed and unlisted companies over 19 years. He holds an MBA degree from Oklahoma City University. Professionally, Mr. Lam is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretaries and a Chartered Marketer. He also has served on a number of government committees, boards, and tribunals in Hong Kong and was appointed as a Justice of the Peace on 1st July, 2001.

Non-executive Directors:

Mr. Tong Kim Weng Kelly, aged 55, obtained his BA(Hons) in Political Science from Victoria University, New Zealand. He was a former senior officer of the New Zealand Trade Department. After leaving the public sector, he served in various capacities as a consultant involved in merger and acquisition work, marketing, promotion, sourcing and arranging private equity for a variety of projects. He joined the Board as a non-executive Director in November 1998 and was appointed a member of the Audit Committee in December 1998.

Mr. Ong Hong Hoon, aged 54, is the chief executive of Gp Nano Technology Group Limited. He has over 25 years of experience in the banking industry and is specialised in retail banking, credit analysis, risk management and strategic planning. He was elected as an associate of The Institute of Bankers in London in 1980. He is presently the vice chairman of the Licensed Money Lenders Association Limited. He was appointed as the chief executive of the Hong Kong office of the Public Bank Berhad of Malaysia in 1990 and was seconded to Winton Holdings (Bermuda) Limited as an executive director in 1995 and later as its chief executive officer. He had been approved by the People's Bank of China to be a chief representative of the Public Bank Berhad of Malaysia in Beijing between 1993 and 1995. He was also a director of JCG Finance Company Limited from 1995 to 1997. Mr. Ong holds a diploma in management from the Malaysian Institute of Management and a masters degree in business administration from Golden Gate University in USA.

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DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December, 2003, the interests of the directors and chief executive in the shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

(a) Ordinary shares of HK\$0.2 each in the Company

Name of director	Personal interests	Family interests	Number of shares		Total	% of issued share capital
			Corporate interests	Other interests		
Lee Fong Lit David	-	-	36,001,576*	-	36,001,576*	29.56

(b) 2004 warrants in the Company

Name of director	Personal interests	Family interests	Number of warrants		Total	% of issued share capital
			Corporate interests	Other interests		
Lee Fong Lit David	-	-	4,608,201*	-	4,608,201*	3.78

The above 2004 warrants carry rights to subscribe for shares in the Company at a subscription price of HK\$1 per share during the period from 21st June, 2002 to 30th June, 2004.

**Note:* These 36,001,576 shares and 4,608,201 warrants are held by Sino Path Consultants Limited, a company which is held 70% by Mr. Lee Fong Lit David and 30% by Dr. Chow Pok Yu Augustine.

(c) Share option of the Company

The Company do not have share option scheme during the year and therefore no share option was granted to the directors.

Save as disclosed herein, none of the directors or chief executives of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO.

At no time during the year did the directors and chief executive (including their spouses and children under 18 years of age) have any interest in, or been granted, or exercised, any rights to subscribe for shares or warrants of the Company and its associated corporations (within the meaning of the SFO).

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2003, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company has not been notified of any substantial shareholders' interests, being 5% or more of the Company's issued share capital, other than those of the directors and chief executive as disclosed above.

MANAGEMENT CONTRACTS

Details of significant management contracts in relation to the Company's business are set out in Note 28 to the financial statements.

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group earned less than 30% of its turnover from its five largest customers.

The Group is an investment holding company. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st December 2003, which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), are disclosed in Note 28 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules except that independent non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

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AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group’s audit. It also reviews the effectiveness of the external audit and internal controls and risk evaluation. The Committee now comprises two independent non-executive directors, namely Mr. Ong Hong Hoon and Mr. Tong Kim Weng Kelly. Two meetings of the audit committee were held during the current financial year.

SUBSEQUENT EVENTS

Details of extension of maturity dates of convertible bonds of the Company are set out in Note 25 to the financial statements.

AUDITORS

Subsequent to the previous annual general meeting, Messrs. PricewaterhouseCoopers, Certified Public Accountants, had resigned as auditors and was replaced by Messrs. Chu and Chu, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment. There have been no other changes of the Company’s auditors in the past three years.

By order of the Board

Lee Fong Lit David

Chairman

Hong Kong, 16th April, 2004