

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and of 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 Company's principal subsidiaries are set out on pages 71 to 72 in this annual report.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results from operating activities by principal activity and by geographical area of operations for the year ended 31 December 2003 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 70.

The directors do not recommend the payment of any dividend in respect of the year.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Group are set out in note 24 to the financial statements.

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RIGHTS ISSUE

In March 2003, the Company effected a rights issue of 620,000,554 rights shares at an issued price of HK\$0.018 per rights share on the basis of one rights share for every existing share held. Details of the rights issue are set out in note 26 to the financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the Company's share capital, warrants and share options during the year are set out in note 26 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 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.

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(DEFICIT)/RESERVES

Details of movements in the (deficit)/reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda, the Company's share premium account, in the amount of HK\$536,454,000 at 31 December 2003, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 52% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 16% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 95% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 86% of the Group's total purchases.

None of the directors of the Company, or any of their associates or 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 or suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mak Chi Yeung

Cheng Wai Keung (appointed on 2 December 2003)

Mak Shuk Yin (resigned on 2 December 2003)

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Independent non-executive directors

Lo Chi Man, Joseph

Wong Kwong Lung, Terence

In accordance with the bye-law 86(2) of the Company Mr. Cheng Wai Keung, will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a services 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

Save as disclosed in note 34 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, any of its holding companies or subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2003, the interests of the directors in the share capital of the Company or its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO Ordinance"), were as follows:

Name of director	Note	Nature of interest	Number of Ordinary shares held
Mak Chi Yeung	(i)	Corporate	632,760,558

Note:

- (i) 632,760,558 shares of the Company are held by Rich Delta Development Limited ("Rich Delta"), a company wholly-owned by Sky Concord Development Limited, which is wholly-owned by Mr. Mak Chi Yeung ("Mr. Mak").

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DIRECTORS' INTERESTS IN SHARES *(continued)*

Save as disclosed above, at 31 December 2003, none of the Directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its subsidiary companies a party or parties to any arrangement 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in 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 holding companies or 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 other than the shares held by a director as abovementioned in the section headed "Directors' interests in shares", no other person had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of interests in shares and short positions required to be kept under Section 336 of the SFO Ordinance.

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CONNECTED AND RELATED PARTY TRANSACTIONS

Details of related party transactions for the year are set out in note 34 to the financial statements. Save as those disclosed in the financial statements, there were no other material transactions to be disclosed as connected or related party transactions in accordance with the requirement of Listing Rules and accounting principals generally accepted in Hong Kong.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group. The Scheme was adopted by the Company on 26 June 2000 and, unless otherwise cancelled or amended, will remain in force up to 25 June 2010.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 December 2003, the number of shares issuable under share options granted under the Scheme was 588,800 which represented less than 1% of the Company's shares in issue as at that date.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

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SHARE OPTION SCHEME (continued)

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average of closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five business trading days immediately preceding the date of the offer and (ii) the nominal value of the shares.

Grantee	Number of share options				Date of grant	Share price of the Company		Adjusted Share price of the Company	Exercise price	Exercise period
	At 1 January 2003	Cancelled during the year	Share consolidation during the year	At 31 December 2003		at grant date	at grant date			
					(*)	(**)	(***)	(****)		
						HK\$	HK\$	HK\$		
Director:										
Mak Chi Yeung	576,000			576,000	23-7-2001	0.020	6.25	4.05	23-7-2001 to 25-6-2010	
Other employee	201,660	188,800	-	12,800	23-7-2001	0.020	6.22	4.02	23-7-2001 to 25-6-2010	

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the trading day immediately prior to the date of the grant of the share options.

*** The adjusted price of the Company's shares as at the date of the grant of the share options is restated by taking account of the effect of share consolidation during the year.

**** The exercise price of the share options is adjusted for the effect of share consolidation and rights issue during the year and is subject to adjustment in the case of further rights or bonus issue, or other similar changes in the Company's share capital.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

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SHARE OPTION SCHEME *(continued)*

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the directors and employees because in the absence of a readily available market value of the share option on the ordinary shares of the Company, the directors were unable to arrive at an assessment of the value of their share options.

COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that compete or may compete with the businesses of the Group or has any other conflict of interests with the Group.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 33 to the financial statements.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the year, save that the independent non-executive directors were not appointed for a specific term are subject to retirement by rotation in accordance with the bye-laws of the Company.

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AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

A resolution for the approval of the re-appointment of Albert Lam & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Mak Chi Yeung

Chairman

Hong Kong, 30 April 2004