

Report of the Directors

The Directors are pleased to 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 activities of the principal subsidiaries, joint ventures and the principal associates are set out in detail in notes 19, 20 and 21, respectively, to the financial statements.

There was no change in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2003 is set out in note 5 to the financial statements.

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 21 to 80.

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2003 (2002: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2003, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 81. The summary is not part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 17 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year and subsequent thereto, together with the reasons therefor, are set out in notes 37 and 38 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 39 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2003 the Company did not have any reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance. However, the Company's share premium account and capital redemption reserve in an aggregate amount of HK\$63,580,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year, and the purchases attributable of the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

DIRECTORS

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

Executive Directors

Mr. Liang Jianhua (<i>Chairman & CEO</i>)	
Mr. Xu Rong	(resigned on 10 March 2004)
Mr. Chen Jung Hsin	
Mr. Long Changqing	
Mr. Su Xixiong	
Mr. Lam Wai Kit	
Mr. Kuang Yong	(appointed on 10 March 2004)
Ms. Wong Lin Chooi	
Mr. Chang Xi Min	(retired on 15 August 2003)

Non-executive Directors

Mr. Cheng Chun Ping *JP*

Independent Non-executive Directors

Dr. Lu Jianhua	
Mr. Hu Dehua	(appointed on 9 September 2003)
Mr. Shi Neng He	(retired on 15 August 2003)

In accordance with Bye-law 100 of the Company's Bye-laws, Mr. Kuang Yong and Mr. Hu Dehua will retired and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Chen Jung Hsin, Mr. Liang Jianhua and Mr. Long Changqing will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Chen Jung Hsin has entered into a service contract with the Company for an initial term of two years commencing on 4 February 2002 and shall continue thereafter unless terminated in accordance with the terms of the service contract.

Save as disclosed, as at 31 December 2003, none of the directors have 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

None of the directors had any beneficial interest, either direct or indirect, in any significant contract to which the Company, any of its holding companies or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31 December 2003, the interests or short positions of the Directors and the 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 Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions"), were as follows:

Name of Director	Note	Type of Interests	No. of Shares
Mr. Xu Rong	1	Other	620,154,000
Mr. Liang Jianhua	2	Other	620,154,000
Ms. Wong Lin Chooi	3	Family	421,637,963
Mr. Chen Jung Hsin	4	Corporate	11,250,813

Note 1: Deemed interests by virtue of Mr. Xu Rong's shareholding in Gree Group (HK) Ltd.

Note 2: Deemed interests by virtue of Mr. Liang Jianhua's shareholding in Gree Group (HK) Ltd.

Note 3: Ms. Wong Lin Chooi is deemed to have a family interest in the said shares held by her husband, Mr. Chan Boon Ning, John.

Note 4: The shares are registered in the name of Bestray Investments Limited, the entire share capital of which is held by Mr. Chen Jung Hsin.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position as at 31 December 2003.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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 children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 38 to the financial statements.

No options were outstanding at 31 December 2003 and no options have been granted under the share option scheme during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, so far as are known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name of substantial shareholder	Note	No. of ordinary shares of HK\$0.10 each			Total	Shareholding percentage
		Family interests	Personal interests	Corporate interests		
Gree Group (HK) Ltd.	1	–	–	620,154,000	620,154,000	20.60%
Angklong Ltd.	2	–	–	379,053,963	379,053,963	12.59%
Mr. Chan Boon Ning, John	3	–	42,584,000	379,053,963	421,637,963	14.01%
Ms. Wong Lin Chooi	4	421,637,963	–	–	421,637,963	14.01%

Note 1: Mr. Xu Rong and Mr. Liang Jianhua hold 51% and 49% respectively of the issued share capital of Gree Group (HK) Ltd., thus they are deemed to be interested in all 620,154,000 Shares by virtue of their respective shareholdings in Gree Group (HK) Ltd.

Note 2: As disclosed by Maxwick Investment Ltd. on 19 March 2002, Angklong Ltd. had charged 422,133,000 Shares to Maxwick Investment Ltd., a company which is 99.99% owned by Ms. Leong On Kei, Angela. Thus, Ms. Leong On Kei, Angela is deemed to be interested in the said 422,133,000 Shares, representing 14.02% of the issued share capital of the Company as at the Latest Practicable Date. The shareholding of Angklong Ltd was subsequently reduced to 379,053,963 Shares.

Note 3: Mr. Chan Boon Ning, John, who holds the entire issued share capital of Harrio Assets Ltd., which in turn holds the entire issued share capital of Angklong Ltd., is deemed to be interested in the 379,053,963 Shares, which were held by Angklong Ltd.

Note 4: Ms. Wong Ling Chooi is deemed to have a family interest in the said Shares held by her husband, Mr. Chan Boon Ning, John.

All the interests stated above represent long positions. As at 31 December 2003, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

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.

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PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

CODE OF BEST PRACTICE

The Directors are not aware of any matter which did not comply with the Code of Best Practice ("Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year. Although the independent non-executive directors were not appointed for a specific term, they are subject to retirement by rotation and are eligible to offer themselves for re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Code, for the purpose 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 and the non-executive director of the Company.

AUDITORS

Messrs Charles Chan, Ip & Fung CPA Ltd. retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chen Jung Hsin

Executive Director

Hong Kong, 20 April 2004