

The directors of the Company (the "Director(s)") present their annual report and the audited financial statements for the year ended 31 December 2003.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 19.

An interim dividend of HK\$0.01 per share amounting to HK\$3,715,000 was paid to the shareholders of the Company (the "Shareholders") during the year. The Directors recommended the payment of a final dividend of HK\$0.04 per share amounting to HK\$14,859,000 to the Shareholders whose names appear on the register of members of the Company on 3 June 2004.

## **SHARE CAPITAL AND WARRANTS**

Details of movements in the share capital and warrants of the Company during the year are set out in note 28 to the financial statements.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 22 and note 29 to the financial statements, respectively.

## **INVESTMENT PROPERTIES, AND PROPERTY, PLANT AND EQUIPMENT**

The Group's investment properties, and land and buildings were revalued at 31 December 2003 and the resulting revaluation decreases of HK\$1,060,000 and HK\$68,000, respectively, have been charged to the consolidated income statement.

Details of these and other movements in the investment properties, and property, plant and equipment of the Group during the year are set out in notes 17 and 18 to the financial statements, respectively.

**DIRECTORS AND SERVICE CONTRACTS**

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

**Executive Directors:-**

Ms. Chong Sok Un (*Chairman*)

Dato' Wong Peng Chong

Mr. Kong Muk Yin

**Independent Non-executive Directors:-**

Mr. Cheng Mo Chi, Moses

Mr. Lo Wai On

Mr. Tan Shao Hua (retired on 3 June 2003)

In accordance with clauses 99, 102 and 182 (vi) of the Company's bye-laws, Mr. Cheng Mo Chi, Moses ("Mr. Moses Cheng") will retire at the forthcoming annual general meeting. Under the Revised Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") which come into effect on 31 March 2004, Mr. Moses Cheng, being a senior partner of Messrs. P.C. Woo & Co., a solicitor firm which provides legal services to the Company, is deemed no longer independent. As such, Mr. Moses Cheng will not offer himself for re-election.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**DIRECTORS' INTERESTS IN CONTRACTS**

Other than as disclosed in note 37 to the financial statements, no contract of significance to which the Company or any of its subsidiaries 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.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2003, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

### Long position in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.01 each				Total	Percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests		
Ms. Chong Sok Un ("Ms. Chong")	–	–	105,248,000 (Note)	–	105,248,000	28.33%

Note: Ms. Chong is deemed to have a corporate interest in 105,248,000 ordinary shares of the Company which are held by Vigor Online Offshore Limited ("Vigor Online"), a 67.7% owned subsidiary of China Spirit Limited ("China Spirit") in which Ms. Chong maintains a beneficial interest of 100%.

Save as disclosed above, as at 31 December 2003, none of the Directors, the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:–

### Long position in the shares of the Company

Name	Capacity	Number of shares held	Percentage held
Ms. Chong	Held by controlled corporation (Note)	105,248,000	28.33%
China Spirit	Held by controlled corporation (Note)	105,248,000	28.33%
Vigor Online	Beneficial owner	105,248,000	28.33%

Note: Vigor Online is a 67.7% owned subsidiary of China Spirit in which Ms. Chong maintains a beneficial interest of 100%. Accordingly, China Spirit and Ms. Chong were deemed by the SFO to be interested in 105,248,000 shares of the Company.

Save as disclosed above, as at 31 December 2003, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest trade customers were less than 30% of total sales and the aggregate purchases attributable to the Group's five largest trade suppliers were less than 30% of total purchases.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## 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.

## CORPORATE GOVERNANCE

### The Board of Directors

The full Board met 3 times in 2003. Directors' attendance was as follows:-

Name of Directors	No. of Board Meetings Attended
Ms. Chong Sok Un	1
Dato' Wong Peng Chong	3
Mr. Kong Muk Yin	3
Mr. Cheng Mo Chi, Moses	3
Mr. Lo Wai On	3
Mr. Tan Shao Hua	1

### Executive Committee

The Company established an executive committee since 23 May 1998 pursuant to clauses 124 to 127 of the Company's bye-laws for the purposes of approving and monitoring the daily operations of the Group. 23 meetings of the executive committee were held in 2003.

### Investment Committee

The Company established an investment committee on 2 February 2000 for the purposes of approving and monitoring the Group's investment portfolio and projects. The investment committee met 9 times during the year.

### Audit Committee

The Company established an audit committee on 29 January 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants and in accordance with paragraph 14 of the Code of Best Practice. As at the date of this report, the audit committee members comprises of two Independent Non-executive Directors. The audit committee met 4 times during the year.

### Code of Best Practice

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the Independent Non-executive Directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

## **POST BALANCE SHEET EVENT**

Details of the significant event occurring after the balance sheet date are set out in note 38 to the financial statements.

## **AUDITORS**

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

On behalf of the Board

**Dato' Wong Peng Chong**

*Executive Director*

Hong Kong, 16 April 2004