

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries comprise the trading and manufacturing of plastic and chemical products, distribution and installation of building supplies, electrical and mechanical products, wholesaling of electrical appliances, engineering contracting business in the air-conditioning industry and the provision of maintenance services, and property and investment holding. Details of the principal subsidiaries and their activities are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments 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 the Group at that date are set out in the financial statements on pages 26 to 82.

The directors do not recommend the payment of any dividend in respect of the year (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

Total interest-bearing debts of the Group as at 31 December 2003 amounted to HK\$172 million (2002: HK\$165 million), of which HK\$132 million (2002: HK\$101 million) related to trust receipt loans. The debts were all due and repayable within one year. Current ratio of the Group, as measured by total current assets over total current liabilities, was 1.2.

Total cash on hand as at 31 December 2003 was HK\$42 million (2002: HK\$42 million). The Group had a total of HK\$80 million committed but undrawn banking facilities at year-end available for its working capital purpose.

In March 2004, the Group issued 660 million new shares at a subscription price of HK\$0.02 per share through top-up share placement. The Group's gearing has therefore been reduced from 104% as at 31 December 2003 (as measured by the net interest-bearing debts of HK\$130 million over the shareholders' funds of HK\$125 million) to 85% (being year-end gearing as adjusted for the effect of share placement).

REPORT OF THE DIRECTORS

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Use of placement proceeds

The proceeds of HK\$13 million from the share placement in March 2004 has been retained as cash and bank balances for future working capital use as at the date of this report.

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong Dollars and bear interest at floating rates. Forward contracts of non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group.

Pledge of assets

Certain properties, having an aggregate book value of HK\$21 million as at 31 December 2003, were pledged to secure the borrowings of the Group.

Contingent liabilities

Particulars of the significant contingent liabilities of the Group are set out in note 38 to the financial statements.

Employees and remuneration policies

The Group employed approximately 300 staff in Hong Kong and other parts of the PRC as at 31 December 2003. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

Business and operations review

A detailed review of the Group's business operations and outlook is included in the Chairman's Statement.

REPORT OF THE DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. The amounts of each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting the income taxes, as detailed in note 2 to the financial statements.

Results

	Year ended 31 December				
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (Restated)	2001 <i>HK\$'000</i> (Restated)	2000 <i>HK\$'000</i> (Restated)	1999 <i>HK\$'000</i> (Restated)
TURNOVER	852,722	828,252	687,671	614,189	812,603
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	(27,818)	(58,885)	(129,458)	(22,414)	(237,376)

Assets, liabilities and minority interests

	As at 31 December				
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (Restated)	2001 <i>HK\$'000</i> (Restated)	2000 <i>HK\$'000</i> (Restated)	1999 <i>HK\$'000</i> (Restated)
TOTAL ASSETS	428,201	436,346	482,892	592,568	606,738
TOTAL LIABILITIES	(301,575)	(298,671)	(299,361)	(292,291)	(257,053)
MINORITY INTERESTS	(1,692)	(1,274)	(1,797)	(1,503)	(1,446)
NET ASSETS	124,934	136,401	181,734	298,774	348,239

The information set out above does not form part of the audited financial statements.

REPORT OF THE DIRECTORS

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.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 32 and 33 to the financial statements, respectively.

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, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's share premium account, in the amount of HK\$562,724,000, may be distributed in the form of fully paid bonus shares. Other than the share premium account, the Company did not have any reserves available for distribution to shareholders as at 31 December 2003.

MAJOR CUSTOMERS AND SUPPLIERS

Both the aggregate amounts of turnover and purchases attributable to the Group's five largest customers and suppliers accounted for less than 30% of the Group's total turnover and purchases for the year, respectively.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:

James Sai-Wing Wong (*Chairman*)

Stephen Sek-Kee Yu

Frank Kwok-Kit Chu

Peter Chi-Chung Luk

Non-executive directors:

Herman Man-Hei Fung

Kenneth Kin-Hing Lam (resigned on 26 March 2004)

Independent non-executive directors:

Aubrey Kwok-Sing Li

William Gage McAfee

David Chung-Shing Wu (appointed on 25 November 2003)

Vincent Tian-Quan Mo (appointed on 25 November 2003)

In accordance with the Company's Bye-law 86, David Chung-Shing Wu and Vincent Tian-Quan Mo who were appointed subsequent to the last annual general meeting, will hold office until the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with the Company's Bye-law 87, Peter Chi-Chung Luk and Aubrey Kwok-Sing Li will retire by rotation at the forthcoming annual general meeting. Peter Chi-Chung Luk, being eligible, will offer himself for re-election. Aubrey Kwok-Sing Li will not seek for re-election.

BIOGRAPHIES OF DIRECTORS

Biographical details of the directors of the Company are set out on pages 13 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director has a service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 36 to the financial statements, none of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2003, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept 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 Companies, were as follows:

Long positions in ordinary shares of the Company

Name of directors	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
James Sai-Wing Wong	–	–	961,957,982 <i>(Note)</i>	961,957,982	29.10%
Frank Kwok-Kit Chu	1,206,000	1,196,000	–	2,402,000	0.07%
Peter Chi-Chung Luk	–	320,000	–	320,000	0.01%
Kenneth Kin-Hing Lam	276	–	–	276	–

Note: These shares are held by Multi-Investment Group Limited, a company in which James Sai-Wing Wong is a director and has a beneficial interest.

The interests of the directors in the share options of the Company are separately disclosed in note 33 to the financial statements.

Save as disclosed above and in the share option scheme disclosures in note 33 to the financial statements, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or its associated corporations as at 31 December 2003 that was required to be recorded 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 Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 33 to the financial statements, 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 minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 33 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2003, the interests of those persons in the shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions

Name	Notes	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1	Interest through a controlled corporation	961,957,982	29.10%
Madeline May-Lung Wong	1	Interest through a controlled corporation	961,957,982	29.10%
Lucky Year Finance Limited	1	Interest through a controlled corporation	961,957,982	29.10%
Chinney Holdings Limited	1	Interest through a controlled corporation	961,957,982	29.10%
Chinney Investments, Limited	1	Interest through a controlled corporation	961,957,982	29.10%
Newsworthy Resources Limited	1	Interest through a controlled corporation	961,957,982	29.10%
Multi-Investment Group Limited	1	Beneficial owner	961,957,982	29.10%
Sumitomo Mitsui Banking Corporation	2	Beneficial owner	319,800,000	9.67%
Credit Suisse Group	2	Beneficial owner	319,800,000	9.67%
Dresdner Kleinwort Wasserstein Limited	2	Beneficial owner	319,800,000	9.67%
Krung Thai Bank Public Company Limited	2	Beneficial owner	319,800,000	9.67%
PT. Bank Mandiri (Persero)	2	Beneficial owner	319,800,000	9.67%
N.V. De Indonesische Overzeese Bank	2	Beneficial owner	319,800,000	9.67%

Notes:

- (1) James Sai-Wing Wong, Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Limited, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 961,957,982 shares by virtue of Section 316 of the SFO.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Long positions (Continued)

- (2) These 319,800,000 shares are registered in the name of an agent bank on behalf of six banks that comprise a syndicate of lenders to a shareholder of the Company (the "Syndicate"). The Syndicate's interest in the relevant shares was acquired as a result of security given by the shareholder over such shares in respect of a loan advanced to the shareholder by the Syndicate. Such interest became discloseable upon the Syndicate becoming entitled to exercise the power of sale and voting rights in respect of the interest in the shares as a result of a default by the shareholder. Accordingly, Sumitomo Mitsui Banking Corporation, Credit Suisse Group, Dresdner Kleinwort Wasserstein Limited, Krung Thai Bank Public Company Limited, PT. Bank Mandiri (Persero) and N.V. De Indonesische Overzeese Bank are each deemed to have a security interest in the relevant shares.

No share options of the Company were held by the above shareholders as at 31 December 2003.

Save as disclosed above, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTION

On 26 August 2003, the Group reached an agreement with a wholly-owned subsidiary of Hon Kwok, which is a subsidiary of the Company's major shareholder, to dispose its carpark assets and a villa in Shenzhen, the People's Republic of China (the "PRC") for a cash consideration of HK\$15,000,000. The carpark assets under disposal included the 115 parking bays at Lido Garden, Sham Tseng, New Territories, Hong Kong, the 26 parking bays at Shining Court, Shun Ning Road, Kowloon, Hong Kong and 40% interest in the 369 parking bays at Provident Centre, North Point, Hong Kong. The disposal was effected by the sale of the entire issued share capital of China Parking (BVI) Limited, a wholly-owned subsidiary of the Group, and assignment of related shareholders' loans, taking reference to the fair value of the property assets as assessed by an independent property valuer.

The disposal constituted a connected transaction for the Company under the Listing Rules. An announcement was published on 26 August 2003 and a circular dated 13 September 2003 was sent to shareholders. The disposal was approved by independent shareholders at the Company's special general meeting held on 6 October 2003. The transaction was completed on 22 October 2003.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 40 to the financial statements.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal controls. The audit committee has reviewed with management the final results and the audited financial statements of the Group for the year ended 31 December 2003.

In the opinion of the directors, the Company complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2003, except that the non-executive directors of the Company are 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 Bye-laws.

AUDITORS

Ernst & Young 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
Peter Chi-Chung Luk
Director

Hong Kong, 20 April 2004