

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 principal activity of the Company is investment holding. The principal activities of the subsidiaries, associate and jointly-controlled entities are set out in notes 14, 15 and 16 to the financial statements, respectively.

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 4 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 14 to 52.

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

Summary financial information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified or restated as appropriate, is set out below.

	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001	Year ended 31 December 2000	Year ended 31 December 1999
RESULTS	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	296,151	72,809	1,231,885	3,079,845	4,117,487
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10,337	(35,863)	(74,319)	8,017	9,883

Report of the Directors (con't)

Summary financial information (Continued)

ASSETS AND LIABILITIES	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TOTAL ASSETS	209,169	177,864	231,368	464,875	636,300
TOTAL LIABILITIES	(60,435)	(13,746)	(30,997)	(204,290)	(384,770)
	148,734	164,118	200,371	260,585	251,530

Fixed assets and investment properties

Details of movements in the fixed assets of the Company and the Group and the investment properties of the Group are set out in notes 12 and 13 to the financial statements, respectively.

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in note 25 to the financial statements.

Reserves

Details of movements in the reserves of the Group during the year are set out in note 26 to the financial statements.

Distributable reserves

At 31 December 2003, the Company has no reserve available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

Major customers and suppliers

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 100% of the Group's total turnover for the year and sales to the largest customer included therein amounted to approximately 75% of the Group's total turnover.

The aggregate purchases from the five largest suppliers of the Group accounted for approximately 100% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 100% of the Group's total purchases.

As far as the directors are aware, neither the directors, their associates, nor those shareholders (which, to the best of knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Report of the Directors (con't)

Directors

The directors of the Company during the year were:

Executive directors:

Cheung Siu Lam (*Chairman*)
Chan Yuk Ming (*Vice-Chairman*)
Yu Hei Wung, Raymond
Lo Wan

Independent non-executive directors:

Wang Jian Sheng
Chan Chun Keung
Choy Ming Yuk

In accordance with article 105 of the Company's articles of association, Mr. Chan Yuk Ming and Mr. Wang Jian Sheng will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The directors of the Company, including the independent non-executive directors but excluding the chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

Directors' service contracts

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

No director had a material interest, either direct or indirect. 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 (con't)

Directors' interests in share capital

As at 31 December 2003, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

(a) Long positions in shares of the Company

Name of Director	Capacity	Number of ordinary shares interested	Notes	Percentage of issued share capital
Cheung Siu Lam	Beneficial owner of 217,028,000 shares and interest of controlled corporation in 57,600,000 shares	274,628,000	(1)	40.55%
Lo Wan	Beneficial owner of 588,000 shares and interest of controlled corporation in 57,600,000 shares	58,188,000	(2)	8.59%
Yu Hei Wung, Raymond	Beneficial owner	300,000		0.04%

Notes:

- (1) Mr. Cheung Siu Lam is deemed to be interested in 57,600,000 shares which are held through Arbalice Holdings Limited, a controlled corporation of Mr. Cheung Siu Lam pursuant to SFO.
- (2) Ms. Lo Wan is deemed to be interested in 57,600,000 shares which are held by Arbalice Holdings Limited through the aggregation of her interests and her spouse, Mr. Cheung Siu Lam's interests in Arbalice Holdings Limited.

(b) Long positions in underlying shares and short positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of underlying shares interested	Percentage of issued share capital
Cheung Siu Lam	Beneficial owner	13,900,000	2.05%
Chan Yuk Ming	Beneficial owner	10,200,000	1.51%
Lo Wan	Beneficial owner	13,900,000	2.05%

Save as disclosed above, none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2003.

Report of the Directors (con't)

Directors' rights to acquire shares

Save as disclosed under the headings "Directors' interests in share capital" above and "Share option scheme" below, 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 a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholder

As at 31 December 2003, the following company/person was interested in more than 5% of the issued share capital of the Company according to the register kept by the Company under Section 336 of the SFO:

(a) Long positions in shares of the Company

Name	Capacity	Number of shares held	Percentage of issued share capital
Cheung Siu Lam	Beneficial owner of 217,028,000 shares and interest of controlled corporation in 57,600,000 shares	274,628,000	40.55%
Lo Wan	Beneficial owner of 588,000 shares and interest of controlled corporation in 57,600,000 shares	58,188,000	8.59%
Arbalice Holdings Limited (Note)	Beneficial owner	57,600,000	8.50%
Cheung Choi Chuen	Beneficial owner	63,458,000	9.37%

Note: The above interest in the name of Arbalice Holdings Limited was also disclosed as interests of Mr. Cheung Siu Lam and Ms. Lo Wan respectively.

(b) Long positions in underlying shares and short positions in shares and underlying shares of the Company

Name	Long/short position	Capacity	Number of underlying shares interested	Percentage of issued share capital
Cheung Siu Lam	Long	Beneficial owner	13,900,000	2.05%
Lo Wan	Long	Beneficial owner	13,900,000	2.05%

Save as disclosed above, no person had registered an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

Report of the Directors (con't)

Share option scheme

The Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and reward to eligible participants who contribute to the success of the Group's operation on 19 March 1993. The Scheme expired on 19 March 2003.

Details of the share options granted under the Scheme and remain outstanding as at 31 December 2003 are as follows:

	Options held at 1 January 2003	Options granted during the year	Options exercised during the year	Options held at 31 December 2003	Exercise price (Note)	Grant date	Exercisable from	Exercisable until
					HK\$			
Cheung Siu Lam	13,900,000	—	—	13,900,000	0.163	18 May 99	18 November 99	17 May 04
Chan Yuk Ming	10,200,000	—	—	10,200,000	0.163	18 May 99	18 November 99	17 May 04
Lo Wan	13,900,000	—	—	13,900,000	0.163	18 May 99	18 November 99	17 May 04
Continuous contract employees	1,000,000	—	—	1,000,000	0.218	8 July 99	8 January 00	7 July 04

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Summary details of the Company's share option scheme are also set out in note 25 to the financial statements.

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 options are exercised, and no charge is recorded in the income statement 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. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

In compliance with the amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of share option schemes, which have come into effect on 1 September 2001, the directors consider that it is in the interests of the Company to adopt a new share option scheme. An ordinary resolution will be proposed at the Company's forthcoming annual general meeting to be held on 7 June 2004 for the approval of the said adoption of the new share option scheme.

Purchase, redemption or sale of listed securities of the Company

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

Report of the Directors (con't)

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting year covered by the annual accounts. Independent non-executive directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Company's Articles of Association.

Audit committee

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

Auditors

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

Cheung Siu Lam
Chairman

Hong Kong
20 April 2004