

The Board presents the annual report and the audited financial statements of the Group and the Company for the year ended 31 December 2003.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 18 and 19 respectively 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 37 of the annual report.

An interim dividend of HK\$0.03 per share amounting to HK\$57,275,823 was paid to the shareholders during the year. The Board has recommended the payment of a final dividend of HK\$0.03 per share amounting to HK\$57,460,056. Upon approval by the shareholders of the Company on the forthcoming annual general meeting of the Company ("AGM") to be held on Tuesday, 25 May 2004, the final dividend will be paid on or before Thursday, 3 June 2004 to shareholders whose names appear on the register of members of the Company on Tuesday, 25 May 2004.

Pursuant to a resolution passed at a meeting of Board held on 21 April 2004, the Board of the Company recommended a bonus issue of new shares of HK\$0.10 each to shareholders of the Company on the basis of two new shares (the "Bonus Shares") for every ten existing shares of the Company (the "Shares") held by the shareholders whose names appear on the register of members of the Company on Tuesday, 25 May 2004 (the "Proposed Bonus Issue"). The Bonus Shares will be credited as fully paid at par and will rank pari passu with the then issued shares in all respects with effect from the date of issue, except that they are not entitled to the final dividend proposed to be declared as mentioned in the above paragraph and will not rank for the Proposed Bonus Issue.

The Proposed Bonus Issue is conditional upon: (i) the passing of the relevant ordinary resolution to approve the Proposed Bonus Issue at the AGM; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting or agreeing to grant the listing of and permission to deal in the Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

## Directors' Report

Subject to fulfillment of the above conditions, certificates for the Bonus Shares are expected to be despatched to shareholders on or about Thursday, 3 June 2004. A notice of AGM enclosed in the annual report of the Company containing, among other things, ordinary resolution in relation to the Proposed Bonus Issue will be despatched to shareholders of the Company on or about Friday, 30 April 2004.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and of the Company are set out in note 14 to the financial statements.

No professional valuation of the leasehold land and buildings was carried out at 31 December 2003 as, in the opinion of Board, the carrying value of the leasehold land and building was not materially different from the open market value at 31 January 2001.

### SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in note 29 to the financial statements.

During the year, 27,200 Shares issued on the exercise of the subscription rights attaching to the warrants. The subscription rights attaching to the warrants expired on 29 November 2003.

### PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## DIRECTORS

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

### **Executive directors:**

Mr. Ou Yaping (*Chairman*)  
Mr. Tang Yui Man, Francis (*Chief Executive Officer*)  
Mr. Chen Wei  
Mr. Law Sze Lai

### **Independent non-executive directors:**

Mr. Cheung Wing Yui  
Mr. Li Zhi Xiang (appointed on 3 November 2003)  
Mr. Tsang Yu Chor, Patrick  
Mr. Xin Luo Lin

In accordance with the Company's Bye-laws, Messrs. Cheung Wing Yui, Li Zhi Xiang and Tsang Yu Chor, Patrick will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election, except for Messrs. Cheung Wing Yui and Tsang Yu Chor, Patrick, who do not offer themselves for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

# Directors' Report

## DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS

At 31 December 2003, the interests and short positions of the Directors and chief executive of the Company in the Shares and debentures of the Company and the shares and debentures of any associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7, 8, and 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company and the Stock Exchange were as follows:

### (a) Long Positions in Shares of the Company

Name of Directors	Capacity	Interest in Shares			Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of the Company's issued share capital
		Personal interest	Family interest	Corporate interest				
Chen Wei	Beneficial owner	-	-	-	-	12,000,000	12,000,000	0.63%
Law Sze Lai	Beneficial owner	-	-	-	-	12,000,000	12,000,000	0.63%
Ou Yaping	Beneficial owner and interest of controlled corporation	-	5,396,600	1,245,185,000 (Note 1)	1,250,581,600	-	1,250,581,600	65.44%
Tang Yui Man, Francis	Beneficial owner	-	-	-	-	3,800,000	3,800,000	0.20%

Note 1: These Shares are held by Asia Pacific Promotion Limited ("Asia Pacific"), a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, chairman of the Company.

Details of the Directors' interests in share options granted by the Company are set out under the heading "Directors' rights to acquire Shares".

## (b) Directors' Interests or Short Positions in Shares in Associated Corporations

Name of Directors	Name of associated corporation	Capacity	Nature of interest	Total interest in shares long position/ (short position)	Interest in underlying shares pursuant to share options	Aggregate interest/ (short position)	Approximate percentage of the issued share capital of the associated corporation
Chen Wei	Panva Gas	Beneficial owner	Personal	4,160,000	5,040,000	9,200,000	1.18%
Ou Yaping	Panva Gas	Interest of controlled corporation	Corporate	604,871,587 (Note 1) (38,461,538) (Note 2)	3,600,000 –	608,471,587 (38,461,538)	78.10% (4.94%)
	Enerchina	Interest of controlled corporation	Corporate	257,039,515	–	257,039,515 (Note 3)	33.70%
Tang Yui Man, Francis	Panva Gas	Beneficial owner	Personal	5,440,000	960,000	6,400,000	0.82%

### Notes:

- The 604,871,587 shares represent the aggregate of: (i) 429,298,462 shares held by Kenson Investment Limited ("Kenson"). 65.44% interests of the Company are held by Asia Pacific. Mr. Ou is the sole beneficial owner of Asia Pacific. Mr. Ou is deemed under the SFO to be interested in these shares; and (ii) 6,081,600 shares held by Asia Pacific directly. The entire issued share capital of Asia Pacific are legally and beneficially held by Mr. Ou; and 169,491,525 shares held by Supreme All Investments Limited ("Supreme All"). 100% interests of Supreme All are held by the Company, Mr. Ou is deemed under the SFO to be interested in these shares.
- Kenson is under an obligation to transfer 38,461,538 shares to Hutchison International Limited ("Hutchison International") upon full exchange of a HK\$125,000,000 redeemable note (the "Note") held by Hutchison International in accordance with the terms and conditions of the Note.
- The 257,039,515 shares represent the aggregate of: (i) 190,629,322 shares held by the Company; and (ii) 66,410,193 shares held by Smart Orient Investments Limited ("Smart Orient"), a wholly-owned subsidiary of the Company. Mr. Ou is deemed under the SFO to be interested in these shares.

# Directors' Report

## DIRECTORS' RIGHT TO ACQUIRE SHARES

### (a) Interest in Options to Subscribe for Shares of the Company

Pursuant to the Company's share option scheme, the Company has granted options to subscribe for Company Shares in favour of certain Directors, the details of which are as follows:

Name of Directors	Date of grant	Exercise period	Exercise price <i>HK\$</i>	Number of Company Shares subject to outstanding options at 31.12.2003	Approximately percentage of the Company's issued share capital
Chen Wei	14.03.2002	01.09.2002 – 01.09.2004	0.67	6,000,000	0.31%
	14.03.2002	01.12.2002 – 01.12.2005	0.67	6,000,000	0.31%
Law Sze Lai	14.03.2002	01.09.2002 – 01.09.2004	0.67	6,000,000	0.31%
	14.03.2002	01.12.2002 – 01.12.2005	0.67	6,000,000	0.31%
Tang Yui Man, Francis	14.03.2002	01.09.2002 – 01.09.2004	0.67	1,900,000	0.10%
	14.03.2002	01.12.2002 – 01.12.2005	0.67	1,900,000	0.10%

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

Save as disclosed above, at no time during the year, the directors, chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations required to be disclosed pursuant to the SFO.

## (b) Interest in Options to Subscribe for Shares of Associated Corporation

Name of Directors	Name of Associated Corporation	Date of grant	Exercisable period	Number of shares Exercise price HK\$	Options held
Chen Wei	Panva Gas	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000
		04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000
		13.11.2001	13.11.2002 – 13.02.2007	0.940	1,440,000
Ou Yaping	Panva Gas	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000
		04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000
Tang Yui Man, Francis	Panva Gas	13.11.2001	13.11.2002 – 13.02.2007	0.940	960,000

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

## SHARE OPTION SCHEME

- (a) Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 24 May 2002 (the "New Scheme"); share options were granted to directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the higher of the average of closing prices on the Stock Exchange on the five trading days immediately preceding on the date of grant, the closing price of the Stock Exchange on the date of grant and the nominal value of the shares. The share options granted must be taken up within 28 days of the date of grant.

At 31 December 2003, no options had been granted under the New Scheme.

- (b) Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 11 May 1998 (the "Old Scheme"); share options were granted to directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the higher of the average of closing prices on the Stock Exchange on the five trading days immediately preceding the date of grant of the share options, the closing price of the shares on the Stock Exchange on the date of grant and the nominal value of the shares. The share options granted must be taken up within 28 days of the date of grant. The New Scheme has replaced the Old Scheme and there will be no new share options granted under the Old Scheme in the future.

At 31 December 2003, the outstanding number of shares in respect of which options had been granted under the Old Scheme was 35,150,000 (2002: 48,371,000), representing 1.84% (2002: 2.6%) of the shares of the Company in issue at that date.

## Directors' Report

The share options are exercisable at any time for a period to be determined by the directors, which shall not be more than 10 years from the date of grant.

The total number of shares in respect of which options may be granted under the New Scheme and the Old Scheme are not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Consideration of HK\$1 is payable on the grant of an option.

The Directors believe that any statement regarding the value of options granted will not be meaningful to shareholders, taking into account the unique business nature of the Group and its potential for future expansion and that comparable data required for calculation of the value of the options will not be representative of the Group.

Additional information in relation to the Company's share option scheme are set out in note 35 to the financial statements.



## Directors' Report

The following table discloses movements in the Company's share options during the year:

### Category 1: Directors

	Option type	Outstanding at 1.1.2003	Granted during year	Exercised during year	Lapsed during year	Outstanding at 31.12.2003
Chen Wei	2002A	12,000,000	–	–	–	12,000,000
Law Sze Lai	2002A	12,000,000	–	–	–	12,000,000
Tang Yui Man, Francis	2001A	3,300,000	–	3,300,000	–	–
	2001B	2,750,000	–	2,750,000	–	–
	2002A	3,800,000	–	–	–	3,800,000
Total Directors		<u>33,850,000</u>	<u>–</u>	<u>6,050,000</u>	<u>–</u>	<u>27,800,000</u>

### Category 2: Employees

Option type	Outstanding at 1.1.2003	Granted during year	Exercised during year	Lapsed during year	Outstanding at 31.12.2003
2000	330,000	–	220,000	110,000	–
2001A	–	–	–	–	–
2001B	6,391,000	–	4,301,000	1,540,000	550,000
2002A	6,800,000	–	–	–	6,800,000
2002B	1,000,000	–	–	1,000,000	–
Total employees	<u>14,521,000</u>	<u>–</u>	<u>4,521,000</u>	<u>2,650,000</u>	<u>7,350,000</u>
Total all categories	<u>48,371,000</u>	<u>–</u>	<u>10,571,000</u>	<u>2,650,000</u>	<u>35,150,000</u>

The share prices on the dates of exercise of options on 18 June 2003, 29 July 2003, 3 October 2003, 29 October 2003 and 28 November 2003 were HK\$0.60, HK\$0.60, HK\$0.74, HK\$0.85 and HK\$0.92 respectively.

# Directors' Report

Particulars of share option schemes of its subsidiary, Panva Gas are as follows:

## (a) Panva Pre-Listing Share Option Scheme

Pursuant to the Pre-Listing Share Option Scheme of Panva Gas approved by resolutions of the sole shareholder of Panva Gas dated 4 April 2001, share options (the "Panva Pre-Listing Options") were granted in last year at an exercise price of HK\$0.57, the issue price of Panva Gas shares on listing on Growth Enterprise Market. The exercise price was subsequently adjusted to HK\$0.475 upon capitalisation of shares in last year. 50% of the Panva Pre-Listing Options are exercisable from 1 January 2003 with the remaining 50% exercisable on 1 January 2004. The Panva Pre-Listing Options are exercisable on an accumulative basis until the expiry date on 3 April 2011. The Panva Pre-Listing Options were granted to recognise the past and present contributions of the grantees to the Group.

At 31 December 2003, the outstanding number of shares in respect of which options had been granted under the Panva Pre-Listing Share Option Scheme was 20,640,000 (2002: 23,440,000), representing 2.65% (2002: 3.87%) of the shares of Panva Gas in issue on that date.

## (b) Panva Share Option Scheme

Pursuant to a share option scheme of Panva Gas approved by resolutions of the sole shareholder of Panva Gas dated 4 April 2001 (the "Panva Scheme"), Panva Gas may grant options to the directors or employees of Panva Gas or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for the shares in the Company. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the shares on the Stock Exchange on the date of grant and the nominal value of the shares.

The Scheme will be terminated on 3 April 2011.

The share options are exercisable at any time for a period to be determined by the directors, which shall not be more than 10 years from the date of grant.

At 31 December 2003, the outstanding number of shares in respect of which options had been granted under the Panva Scheme was 10,824,000 (2002: 13,704,000), representing 1.39% (2002: 2.26%) of the shares of Panva Gas in issue on that date.

## Directors' Report

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option.

The total number of shares in respect of which options may be granted under the Panva Pre-Listing Share Option Scheme and the Panva Scheme is not permitted to exceed 10% of the shares of Panva Gas in issue at any point in time, without prior approval from Panva Gas shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Panva Gas in issue at any point in time, without prior approval from Panva Gas shareholders.

The following table discloses movements in the Panva Gas share options during the year.

	Option type	Outstanding at 1.1.2003	Exercised during year	Lapsed during year	Outstanding at 31.12.2003
<b>Category 1: Directors</b>					
Chen Wei	Pre-Listing Options	3,600,000	–	–	3,600,000
	2001	1,440,000	–	–	1,440,000
Ou Yaping	Pre-Listing Options	3,600,000	–	–	3,600,000
Tang Yui Man, Francis	2001	960,000	–	–	960,000
Total Directors		<u>9,600,000</u>	<u>–</u>	<u>–</u>	<u>9,600,000</u>
<b>Category 2: Employees</b>					
	Pre-Listing Options	16,240,000	–	2,800,000	13,440,000
	2001	11,304,000	–	2,880,000	8,424,000
Total Employees		<u>27,544,000</u>	<u>–</u>	<u>5,680,000</u>	<u>21,864,000</u>

# Directors' Report

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
Pre-Listing Options	04.04.2001	01.01.2003 – 03.04.2011	0.475
	04.04.2001	01.01.2004 – 03.04.2011	0.475
2001	13.11.2001	13.02.2002 – 13.02.2007	0.94
	13.11.2001	13.05.2002 – 13.02.2007	0.94
	13.11.2001	13.11.2002 – 13.02.2007	0.94

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

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the period was the Company, its holding company, or any or its subsidiaries or fellow subsidiaries, a party to any arrangements 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, and none of the directors or the chief executive, or any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Save as disclosed above, none of the directors, chief executives nor their respective associates, as defined in the Rules Governing the Listing of Securities of The Stock Exchange ("Listing Rules"), had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations.

## DIRECTORS' SERVICE CONTRACT

No Director has any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "CONNECTED TRANSACTIONS", no contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of the Listing Rules, the following connected transactions of the Company require disclosure in the annual report of the Company:

- (i) As disclosed in the Company's circular dated 21 January 2002, pursuant to the RMB550,000,000 loan agreement ("Loan") dated 10 December 2001 between Shenzhen Sinolink and Bank of China, Shenzhen Branch in which the Company has provided guarantee on the loan respectively. Shenzhen Sinolink is an indirect non-wholly owned subsidiary of the Company in which the Company has an 80% indirect interest, and the remaining 20% interest is held by Shenzhen Power Supply Services Corporation. Shenzhen Power Supply Services Corporation is a connected person by virtue of being a substantial shareholder of Shenzhen Sinolink, however, it will not provide any guarantee in respect of the Loan. In view of the fact that Shenzhen Power Supply Services Corporation is a connected person by virtue of being a substantial shareholder in Shenzhen Sinolink Property Management Co., Ltd. a subsidiary of the Company in which Shenzhen Sinolink has 50% equity interest and Shenzhen Power Supply Services Corporation has a 25% attributable equity interest, provision of the guarantee for the Loan by the Company constitute connected transactions for the Company under Rule 14.26(6)(a) of the Listing Rules which was approved by the shareholders of the Company.
- (ii) Pursuant to the tenancy agreements dated 1 April 2002 which expired on 31 March 2004 between Sinolink Worldwide (HK) Company Limited ("Sinolink Worldwide (HK)") as tenant and Skillful Assets Limited ("Skillful") (a company controlled by Mr. Ou Yaping and of which Mr. Ou Yaping is a director), as landlord, Skillful agreed to let to Sinolink Worldwide (HK) the property known as House 3, Kellett View Town Houses, Nos. 65-69 Mount Kellett Road, Hong Kong for a term of two years commencing on 1 April 2002 at a rent of HK\$83,000 per month respectively exclusive of rates and management fees. Total rental expenses of HK\$996,000 were paid or payable to Skillful for the year ended 31 December 2003.

# Directors' Report

## Connected transactions with Waivers granted by the Stock Exchange

The following connected transactions have been entered into by the Company and its subsidiaries to which the Stock Exchange has, subject to certain conditions, granted waivers to the Company from compliance with the requirements stipulated in Chapter 14 of the Listing Rules.

- (i) Pursuant to an agreement for the provision of services dated 8 January 2001, and renewed agreement dated 3 January 2003, between Ocean Diamond Limited, a subsidiary of the Company and Shenzhen Sinolink, Ocean Diamond Limited agreed to provide to Shenzhen Sinolink (i) management staffing services by supplying and sending staff to Shenzhen and (ii) services relating to the design and planning for real estate development, cable engineering consultancy and the import and sourcing of materials. Shenzhen Sinolink has to pay a monthly service fee of RMB150,000 (equivalent to HK\$140,318) to Ocean Diamond Limited. It is intended that a service agreement with the same terms (subject to adjustment for the service fee) will be entered into between Ocean Diamond Limited and Shenzhen Sinolink on a yearly basis. A total service fee of RMB1,800,000 (equivalent to HK\$1,683,817) was paid or payable to Ocean Diamond Limited for the year ended 31 December 2003.
- (ii) Pursuant to an agreement for the provision of agency services dated 8 January 2001 and renewed agreement dated 31 January 2003, between Sinolink Worldwide (HK) and Shenzhen Sinolink, Sinolink Worldwide (HK) shall provide agency services regarding matters including, amongst others, advertising and promotion for overseas sales of property units developed by the Group in the PRC and customer liaison on behalf of Shenzhen Sinolink in return for a monthly service fee of approximately RMB700,000 (equivalent to HK\$654,818). It is intended that an agency services agreement with the same terms (subject to adjustment for the service fee) will be entered into annually between Sinolink Worldwide (HK) and Shenzhen Sinolink. A total service fee of approximately RMB8,400,000 (equivalent to HK\$7,857,811) was paid or payable by Shenzhen Sinolink to Sinolink Worldwide (HK) for the year ended 31 December 2003.

The independent non-executive directors confirm that the transaction has been entered into by the Company in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

### Long positions and short positions in Shares and underlying Shares in the Company

Name of shareholders	Capacity	Interest of Shares			Total interest in Shares	Approximate percentage of the Company's issued share capital
		Personal interest	Family interest	Corporate interest		
Asia Pacific	Beneficial owner	–	–	1,245,185,000 (Note 1)	1,245,185,000	65.16%
Ou Yaping	Beneficial owner and interest of controlled corporation	–	5,396,600	1,245,185,000	1,250,581,600	65.44%

*Note 1:* These Shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, chairman of the Company.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the directors are not aware of any persons who, as at 31 December 2003, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

# Directors' Report

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 47.48% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 63.73% of the Group's total purchases.

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

None of the directors, their associates or any shareholders, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had an interest in the share capital of any of the five largest suppliers.

## 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.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties in compliance with paragraph 14 of the Code of Best Practice. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee has 3 members comprising 3 independent non-executive directors, Messrs. Cheung Wing Yui, Tsang Yu Chor, Patrick and Xin Luo Lin.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including the review of interim financial statements which have not been audited.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.



# Directors' Report

## AUDITORS

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

On behalf of the Board

**Tang Yui Man, Francis**

*Director & Chief Executive Officer*

Hong Kong, 21 April 2004