

The directors present their report and the audited financial statements of Jackley Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2003.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

### **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 25 to 78.

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

### **SUMMARY FINANCIAL INFORMATION**

The following is a summary of the published consolidated/combined results and of the assets, liabilities and minority interests of the Group for the years ended 31 December 1999, 2000, 2001, 2002 and 2003, prepared on the basis set out in the note below.

## REPORT OF THE DIRECTORS

### RESULTS

	Year ended 31 December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
<b>TURNOVER</b>	<b>127,338</b>	182,062	275,168	326,693	235,784
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	<b>(43,576)</b>	11,630	61,041	87,615	59,488
Finance costs	<b>(2,168)</b>	(1,728)	(676)	(667)	(1,580)
(LOSS)/PROFIT BEFORE TAX	<b>(45,744)</b>	9,902	60,365	86,948	57,908
Tax	<b>(3,500)</b>	(1,053)	(18,070)	(24,064)	(16,137)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS	<b>(49,244)</b>	8,849	42,295	62,884	41,771
Minority interests	<b>17,391</b>	(3,970)	2,053	244	477
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<b>(31,853)</b>	4,879	44,348	63,128	42,248

**ASSETS, LIABILITIES AND MINORITY INTERESTS**

	<b>At 31 December</b>				
	<b>2003</b>	2002	2001	2000	1999
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	<b>161,226</b>	120,885	98,520	95,865	76,405
CURRENT ASSETS	<b>59,664</b>	162,065	178,222	159,886	95,065
<b>TOTAL ASSETS</b>	<b>220,890</b>	282,950	276,742	255,751	171,470
CURRENT LIABILITIES	<b>76,048</b>	79,076	98,878	108,175	84,102
NON-CURRENT LIABILITIES	<b>139</b>	17,492	331	656	3,531
<b>TOTAL LIABILITIES</b>	<b>76,187</b>	96,568	99,209	108,831	87,633
MINORITY INTERESTS	<b>317</b>	14,223	10,253	30,112	30,356
<b>NET ASSETS</b>	<b>144,386</b>	172,159	167,280	116,808	53,481

**FIXED ASSETS**

Details of movements in the fixed assets of the Group during the year are set out in note 15 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 31 and 32 to the financial statements, respectively.

**PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

### **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

### **DISTRIBUTABLE RESERVES**

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK\$3,057,000 as at 31 December 2003, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the sales to the Group's five largest customers accounted for approximately 51% of the total sales for the year and sales to the largest customer included therein amounted to approximately 38%.

Purchases from the Group's five largest suppliers accounted for approximately 83% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 36%.

None of the directors of the Company, any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers and suppliers.

**DIRECTORS**

The directors of the Company during the year were:

**Executive directors**

Mr. Wong Kwai Wah

Mr. Anthony Henry Serra

(appointed on 16 April 2003)

Mr. Chew Kean Eng

Mr. Khoo Chuan Teng

Mr. Lam Yat Sing

(resigned on 8 July 2003)

**Non-executive directors**

Mr. Azizul Rahim Abdul Rahman

(retired on 8 July 2003)

Mr. Saharuddin Zamri

(alternate non-executive director to  
Mr. Azizul Rahim Abdul Rahman and  
retired on 8 July 2003)

Mr. Ahmad Tajuddin Ahmad Zainuddin

(retired on 8 July 2003)

**Independent non-executive directors**

Mr. Liu Ngai Wing

Mr. Ong Hong Hoon

In accordance with Articles 108(A) and 108(B) of the Company's articles of association, Mr. Wong Kwai Wah and Mr. Chew Kean Eng will retire and, Mr. Wong and Mr. Chew are eligible for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors is currently appointed for a term of two years commencing from 9 July 2003.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 and 14 of the annual report.

### **DIRECTORS' SERVICE CONTRACTS**

Messrs. Lam Yat Sing, Chew Kean Eng, Khoo Chuan Teng, Wong Kwai Wah and Anthony Henry Serra have entered into service contracts with the Company for terms of three years commencing from 1 July 2001, 28 September 2001, 1 January 2002, 7 June 2002 and 16 April 2003, respectively, which continue thereafter until terminated by either party giving not less than three months' notice in writing to the other party. The service contract with Mr. Lam Yat Sing was terminated upon his resignation.

Save as disclosed above, 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**

Save as disclosed elsewhere in the annual report, no director had a significant beneficial 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.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.

### **DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 31 December 2003, there is no interests of the directors of the Company in the shares and underlying shares of the Company recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed in the share option scheme disclosures in note 32 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 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.

**SHARE OPTION SCHEME**

Concerning the share options granted during the year to the directors, employees, suppliers and others, as detailed in note 32, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because it is not practical to do so.

**SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES**

As at 31 December 2003, the interests of the substantial shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), other than directors or chief executives, of the Company in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholders	Capacity	Number of shares held	% of the issued share capital
Sinotime Limited	Beneficial owner	372,361,000 <sup>#</sup>	29.91
Brilliant Path Limited	Beneficial owner	296,364,000 <sup>#</sup>	23.80

<sup>#</sup> These companies are incorporated in British Virgin Islands. The entire issued share capital of both companies are beneficially owned by Mr. Lam Yat Sing, former executive director and chairman of the Group who resigned on 8 July 2003.

All the interests stated above represent long positions. Save as disclosed above, as at 31 December 2003, none of the substantial shareholders, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

**CONNECTED TRANSACTIONS**

Details of the connected transactions that are required to be disclosed for the year are set out in note 38 to the financial statements. Save as disclosed therein, there were no transactions required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The independent non-executive directors of the Company are of the opinion that the terms of the above transactions are fair and reasonable so far as the shareholders of the Company are concerned; and that the transactions have been entered into by the Group in its ordinary and usual course of business and were carried out in accordance with the terms of the agreements governing such transactions.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the year and up to date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, as defined by the Listing Rules, other than those businesses of which the directors of the Company have been appointed as directors to represent the interests of the Company and/or the Group.

### **POST BALANCE SHEET EVENT**

Details of the significant post balance sheet event of the Group are set out in note 39 to the financial statements.

### **CODE OF BEST PRACTICE**

In the opinion of the directors of the Company, 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, throughout the accounting period covered by the annual report.

### **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 the two independent non-executive directors of the Company.

### **AUDITORS**

RSM Nelson Wheeler were appointed as auditors of the Company in March 2004 to fill the casual vacancy upon the resignation of Ernst & Young, Ernst & Young were the auditors of the Company for the financial years ended 31 December 2001 and 2002. Apart from the aforementioned, there have been no other changes of the Company's auditors in the past three years.

RSM Nelson Wheeler retire at the forthcoming annual general meeting of the Company and a resolution for their re-appointment as auditors of the Company will be proposed at the said meeting.

### **ON BEHALF OF THE BOARD**

**Anthony Henry Serra**

*Chief Executive Officer and  
Executive Director*

Hong Kong, 29 April 2004