

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31st January, 2004.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and property investment and those of its subsidiaries and associates are respectively set out in notes 16 and 17 to the financial statements.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st January, 2004 are set out in the consolidated income statement on page 11.

No interim dividend was paid during the year. The directors do not recommend the payment of a final dividend.

### **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 46.

### **INVESTMENT PROPERTIES, OTHER PROPERTIES AND OTHER FIXED ASSETS**

The Group revalued all of its investment properties at 31st January, 2004. The decrease on revaluation, adjusted for minority interests, which has been debited directly to the investment property revaluation reserve, amounted to HK\$8,818,041.

By reference to the valuation conducted on the Group's land in Guam, U.S.A., on the balance sheet date, by an independent property valuer, impairment losses on such properties in the amount of HK\$2,525,580 previously made were written back and accounted for in the income statement for 2004.

Movements during the year in the investment properties, other properties, and other fixed assets of the Group and the Company are respectively set out in notes 13, 14 and 15 to the financial statements.

### **MAJOR PROPERTIES**

Details of the major properties of the Group at 31st January, 2004 are set out on pages 47 to 50.

### **SHARE CAPITAL**

Particulars regarding the share capital of the Company are set out in note 23 to the financial statements.

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

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

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

## DIRECTORS' REPORT

### **BORROWINGS AND INTEREST CAPITALISED**

Bank loans repayable within one year or on demand are classified in the balance sheet as current liabilities. A repayment analysis of bank loans is set out in note 22 to the financial statements.

No interest was capitalised by the Group during the year.

### **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 23% and 36% respectively of the Group's total turnover for the year. The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 13% and 37% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (who to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers and suppliers.

### **DIRECTORS**

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

#### *Executive directors*

Seto Chak Wah, Michael  
alias Szeto Chak Wah (*Chairman*)  
Lee Teh Yee, William  
Kiang Chee Man, Robert  
Wong Shu Yuen

#### *Non-executive directors*

Lai Man Leung  
Oxley, Clive William, OBE, ED

#### *Independent non-executive directors*

Cheung Tze Fat, Alfred  
Lau Hak Lap

In accordance with the provisions of the Company's Articles of Association, Kiang Chee Man, Robert, Lau Hak Lap and Cheung Tze Fat, Alfred shall retire by rotation and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

## **DIRECTORS' REPORT**

### **EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES**

Details of directors' emoluments and the highest paid employees are set out in note 8 to the financial statements.

### **BIOGRAPHICAL DETAILS OF DIRECTORS**

Brief biographical details of directors are shown on page 5.

The executive directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the executive directors are regarded as members of the Group's senior management.

### **DIRECTORS' INTERESTS IN SHARES**

At 31st January, 2004, Mr. Lee Teh Yee, William ("Mr. W. Lee") through two private companies controlled by him, was beneficially interested in 25,000 shares in Modern Aspac Development Company Limited ("Modern Aspac"), representing 50% of its issued share capital. Modern Aspac is a 50% owned associate of the Group which beneficially held 409,400 shares of the Company.

On 17th June, 2003, Smart Extra Holdings Limited ("Smart Extra"), a company wholly owned by Mr. W. Lee made an unconditional cash general offer (the "Offer") for all the shares of the Company not already owned by it or any of the parties acting in concert with it. The Offer closed at 4:00 p.m. on 17th October, 2003, by which time Smart Extra had received valid acceptances of the Offer in respect of 49,834 shares. When aggregated together with the 60,406,962 shares it already held, at 17th October, 2003, Smart Extra held 60,456,796 shares, representing approximately 89.22% of the issued share capital of the Company.

Save as disclosed above and except for shares in subsidiaries held by directors in trust for their immediate holding companies, at 31st January, 2004, none of the directors nor their associates had any interests or short positions in any shares, underlying shares and debentures 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 under Section 352 of the SFO, and none of the directors nor 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 during the period.

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contracts of significance to which the Company or any of its 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.

### **ARRANGEMENTS TO PURCHASE 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 of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **MANAGEMENT CONTRACTS**

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

## **DIRECTORS' REPORT**

### **COMPLIANCE WITH CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 31st January, 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in the section headed "Directors' Interests in Shares", as at 31st January, 2004, no other person (other than the Directors of the Company) has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### **POST BALANCE SHEET EVENT**

Details of a significant event occurring subsequent to the balance sheet date are set out in note 32 to the financial statements.

### **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,  
**Seto Chak Wah, Michael**  
*Chairman*

Hong Kong, 20th May, 2004