

Directors' Report

The present directors (the "Directors") present their annual report and the audited financial statements for the year ended 31 December 2003.

INCOMPLETE BOOKS AND RECORDS

As explained in note 2(A) to the financial statements, the Directors have prepared their report and financial statements based on the financial information prepared by the former receivers and managers of the Company who were appointed on 17 June 2003 and discharged on 2 July 2004 (the "Receivers"). In light of the incomplete books and records maintained by the Company and its subsidiaries and the lack of supporting documentary evidence relating to the year ended 31 December 2003, the Directors are unable to satisfy themselves as to whether the financial statements are free from material misstatement. Accordingly, they take no responsibility for the contents of this report and make no representation as to the truth and fairness of the financial statements presented.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 27 to the financial statements.

During the year, the Group discontinued its fabric processing business. The Group plans to focus on its trading business.

RESULTS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 18.

The directors do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 18 to the financial statements.

Directors' Report *(Continued)*

DIRECTORS

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

Executive Directors:

Yue Jialin (<i>Chairman</i>)	(appointed on 26 April 2004)
Lau Yau Cheung, Brent	(appointed on 26 April 2004)
Shan Zhenglin	(resigned on 30 June 2003)
Shi Zhi Hong	(resigned on 3 July 2003)
Mo Yuk Ping	(removed on 26 April 2004)
Gong Bei Ying	(removed on 26 April 2004)

Independent Non-Executive Directors:

Wong Wing Kuen, Albert	(appointed on 6 July 2004)
Tsui Robert Che Kwong	(appointed on 6 July 2004)
Wu Guo Jian	(appointed on 6 July 2004)
Gordon Ng	(resigned on 18 June 2003)
Lau Siu	(resigned on 19 June 2003)

In accordance with Bye-Laws 86 and 87 of the Company's Bye-Laws, Messrs. Wong Wing Kuen, Albert; Tsui Robert Che Kwong; and Wu Guo Jian will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All of the remaining directors continue in office.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report *(Continued)*

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2003, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long positions in shares of the Company

Name of director	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Yue Jialin	262,602,000	Interest of controlled corporation in 262,602,000 shares (<i>Note</i>)	63.58%

Note: These shares are registered in the name of, and beneficially owned by, Profit Harbour, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yue Jialin.

(b) Long positions in underlying shares and debentures and short positions in shares, underlying shares and debentures

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Save as disclosed therein, neither the Directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2003 as defined in Section 352 of the SFO.

Directors' Report (Continued)

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 19 to the financial statements.

As explained in note 2(A) to the financial statements, in light of the incomplete books and records maintained by the Company, the Directors do not have sufficient information relating to the movements of the share options during the year ended 31 December 2003. The following movements of the share options granted to the former directors and employees have been prepared based on the circular issued by the Company dated 7 October 2003 and an announcement made by Profit Harbour dated 21 October 2003. No options were granted to the Directors during the year ended 31 December 2003 and no options were held by the Directors as at 31 December 2003.

Name or category of participant	Date of grant (Note i)	Exercisable period (Note ii)	Exercise price HK\$	Number of share options			Balance as at 31 December 2003
				Balance as at 1 January 2003	Granted during the year	Surrendered/ lapsed during the year	
<i>Ex-directors</i>							
Mo Yuk Ping	28.6.2002	2.7.2002 – 1.7.2007	0.556	240,000	–	–	240,000
Shi Zhi Hong	28.6.2002	2.7.2002 – 1.7.2007	0.556	2,400,000	–	–	2,400,000
Shan Zhenglin	28.6.2002	2.7.2002 – 1.7.2007	0.556	2,400,000	–	–	2,400,000
Gong Bei Ying	28.6.2002	2.7.2002 – 1.7.2007	0.556	2,400,000	–	–	2,400,000
Sub-total				7,440,000	–	–	7,440,000
<i>Ex-employees</i>							
In aggregate	28.6.2002	2.7.2002 – 1.7.2007	0.556	2,400,000	–	–	2,400,000
				9,840,000	–	–	9,840,000

Notes:

- (i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.
- (ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Directors' Report (Continued)

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the section headed "SHARE OPTIONS", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As explained in note 2(A) to the financial statements, in light of the incomplete books and records maintained by the Group for the year ended 31 December 2003, the following information on the Group's connected transactions and directors' interests in contracts of significance has been prepared based on press announcements and/or circulars made by the Company prior to the appointment of the Receivers and those made by the Receivers following their appointment. The Directors make no representation as to the completeness of the information disclosed.

- (i) On 21 November 2002, a sub-tenancy agreement (the "Sub-tenancy Agreement") was entered into between Worldmark (Far East) Limited ("Worldmark"), a wholly-owned subsidiary of the Company, and Profitex Investments Limited ("Profitex"), a wholly-owned subsidiary of Shanghai Land Holdings Limited ("Shanghai Land"), in respect of the sub-leasing of 2,487 square feet of the office premises located at 67th Floor, The Center, 99 Queen's Road Central, Hong Kong by Profitex to Worldmark for a term commencing on 4 August 2002 and expiring on 19 June 2005 inclusive at the following rentals:

Period	Monthly rent <i>(approximately HK\$)</i>
4 August 2002 – 31 May 2004	74,610
1 June 2004 – 30 June 2004	63,667
1 July 2004 – 31 May 2005	44,766
1 June 2005 – 19 June 2005	28,352

A rent free period (the "Rent Free Period") of 6 months in total, by stages in an aggregate amount of HK\$447,660 had been granted by Profitex to Worldmark pursuant to a supplemental agreement to the Sub-tenancy Agreement dated 17 January 2003 (the "Supplemental Sub-tenancy Agreement"). The first 3 months of the Rent Free Period were granted and ratified for the period from 1 September 2002 to 30 November 2002 and the remaining 3 months of Rent Free Period shall be granted for the period from 1 June 2003 to 31 August 2003.

The substantial shareholders (as defined in the Listing Rules) of Shanghai Land and the Company, respectively, at the time the relevant agreements were entered into were New Nongkai Global Investments Limited and Angel Field Limited ("Angel Field"), which were both 100% beneficially owned by Mr. Chau Ching Ngai, the chairman of Shanghai Land and the spouse of Ms. Mo Yuk Ping, former chairman of the Company. Accordingly, the Supplemental Sub-tenancy Agreement entered into during the year constitutes a connected transaction under the Listing Rules.

Directors' Report *(Continued)*

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE *(Continued)*

- (ii) Pursuant to a subscription agreement dated 6 March 2003, Angel Field subscribed for 125,000,000 new shares of HK\$0.10 each (the "Subscription Shares") in the Company at a subscription price of HK\$0.40 per share. The allotment and issue of the Subscription Shares were approved by the independent shareholders of the Company by way of an ordinary resolution passed on 2 April 2003. The Subscription Shares rank *pari passu* in all respect with the existing issued shares of the Company. The Subscription Shares represented approximately 43.40% of the issued share capital of the Company before the issue of the Subscription Shares, and approximately 30.27% of the Company's issued share capital as enlarged by the issue of the Subscription Shares.
- (iii) During the year, sums totaling approximately HK\$69.9 million were remitted from the bank accounts of the Company and Merchants (Hong Kong) Limited to bank accounts maintained in name of Great Center Limited ("Great Center") and Modern Shine Enterprises Limited ("Modern Shine"), companies incorporated in the British Virgin Islands and which are the Group's metal suppliers. Of the amount, amounts totaling approximately HK\$37 million were transferred by Great Center and Modern Shine to Win Victory Holdings Limited ("Win Victory"), a company incorporated in Hong Kong. Mr. Chau Ching Ngai and Ms. Mo Yuk Ping are the registered shareholders of 49% and 51%, respectively, of the issued share capital of Win Victory. Details of the transaction are set out in note 23(iii) to the financial statements.
- (iv) Worldmark and Profitex also entered into a management agreement for a term of three years commencing on 1 August 2002. Pursuant to the agreement, Profitex has agreed to provide management service to Worldmark for a fee. The management fee paid for the year amounted to HK\$168,400 (2002: HK\$166,000).

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the following shareholders were interested in more than 5% of the shares and underlying shares of the Company according to the register required to be kept under Section 336 of Part XV of the SFO were as follows:

Long positions in shares of the Company

Name of substantial shareholder	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Profit Harbour (Note)	262,602,000	Beneficial owner	63.58%
Yue Jialin	262,602,000	Interest of controlled corporation in 262,602,000 shares (Note)	63.58%

Note: The entire issued share capital of Profit Harbour is owned by Mr. Yue Jialin. Accordingly, Mr. Yue Jialin is deemed to be interested in all the shares in which Profit Harbour is interested pursuant to the SFO.

Save as disclosed herein, no other person had interests or short positions in the shares and underlying shares of the Company, which are recorded in the register to be maintained by the Company pursuant to Section 336 of Part XV of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors are unable to form an opinion as to whether during the year ended 31 December 2003 the former directors of the Company had any interests in any businesses apart from the Group's businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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.

MAJOR CUSTOMERS AND SUPPLIERS

As explained in note 2(A) to the financial statements, in light of the incomplete books and records maintained by the Group for the year ended 31 December 2003, information on the Group's major customers and suppliers is not presented.

Directors' Report *(Continued)*

AUDIT COMMITTEE

The audit committee of the Company comprises three Independent Non-Executive Directors of the Company. The audit committee has reviewed this annual report and agreed with the inclusion of the statement of disclaimer by the Directors under the section headed "DISCLAIMER OF LIABILITIES" in the Chairman's Statement.

CODE OF BEST PRACTICE

The Directors are unable to form an opinion as to whether the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2003.

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.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 26 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

Yue Jialin

Chairman

Hong Kong, 16 August 2004