

## Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company and of 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 Group consist of (a) financial services provided via CFSG including online and traditional brokerage and trading of securities, futures, commodities and options, margin financing, corporate finance and other financial services, (b) retailing of furniture and household items provided via Pricerite, (c) investment holding including property investment, (d) business solutions, and (e) brand management.

### RESULTS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 46 of this Annual Report.

### FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2003 is set out on pages 111 to 112 of this Annual Report.

### PROPERTY AND EQUIPMENT

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

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

## Directors' Report

### RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

As at 31 December 2003, the reserves of the Company available for distribution to shareholders were approximately HK\$25,921,000, comprising contributed surplus of HK\$77,517,000 less accumulated losses of HK\$51,596,000, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK\$276,904,000.

### 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.

### RAISING OF FUNDS

On 22 May 2003, the Company announced for an execution of a top-up subscription agreement pursuant to which Cash Guardian Limited ("Cash Guardian") sold, by way of private placement a total of 60 million shares of HK\$0.10 each in the Company to more than six independent investors at HK\$0.275 per share on 27 May 2003 and the Company in turn allotted and issued 60 million shares of HK\$0.10 each in the Company to Cash Guardian at HK\$0.275 per share (as compared with market price of HK\$0.305 per share on 22 May 2003) on 4 June 2003. The proceeds of the placing, after expenses, totalled approximately HK\$16.4 million.

### USE OF PROCEEDS FROM FUND RAISING

The funds raised during the year were mainly used for the general working capital of the Group.

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover.

The percentages of purchases for the year attributable to the Group's largest suppliers are as follows:

#### Purchases

- |                          |       |
|--------------------------|-------|
| – the largest supplier   | 10.2% |
| – five largest suppliers | 34.3% |

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors) owns more than 5% of the Company's share capital had an interest in the major suppliers above.

## Directors' Report

### DIRECTORS

The Directors of the Company during the year and up to the date of this Annual Report were as follows:

*Executive Directors:*

Kwan Pak Hoo Bankee

Law Ping Wah Bernard

Wong Kin Yick Kenneth (appointed on 3 November 2003)

Miao Wen Hao Felix (appointed on 3 November 2003)

Chan Yau Ching Bob

Kwok Oi Kuen Joan Elmond

Law Ka Kin Eugene

Li Yuen Cheuk Thomas

*Independent Non-executive Directors:*

Chan Hak Sin

Leung Ka Kui Johnny

Wong Chuk Yan

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr Wong Kin Yick Kenneth and Mr Miao Wen Hao Felix shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws and as agreed among the Directors, Ms Kwok Oi Kuen Joan Elmond and Mr Li Yuen Cheuk Thomas shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the financial statements, no Director had a material interest in any significant contract to the business of the Group to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

## Directors' Report

### RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 33 to the financial statements.

### DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2003, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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 under section 352 of the SFO, or as 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 were as follows:

#### A. The Company

##### 1. Long positions in the shares

Name	Capacity	Number of shares			Shareholding (%)
		Personal	Family	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	–	156,952,376*	42.94
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	–	1.39
Chan Yau Ching Bob	Beneficial owner and family interest	70,500	200,200	–	0.07
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	–	0.74
Law Ka Kin Eugene	Beneficial owner	125,000	–	–	0.03
Li Yuen Cheuk Thomas	Beneficial owner	2,501,875	–	–	0.68
		10,493,575	200,200	156,952,376*	45.85

\* The shares were held by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

## Directors' Report

### 2. Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	notes	Number of options				Percentage
					outstanding as at 1 January 2003	granted during the year (notes 2 & 5)	lapsed during the year (note 3)	outstanding as at 31 December 2003	to issued shares as at 31 December 2003 (%)
Kwan Pak Hoo Bankee	2/5/2002	2/5/2002 – 30/4/2003	1.320	(7)	3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502	(7)	–	3,000,000	–	3,000,000	0.82
Law Ping Wah Bernard	2/5/2002	2/5/2002 – 30/4/2003	1.320		3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	3,000,000	–	3,000,000	0.82
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502	(6)	–	1,000,000	–	1,000,000	0.27
Miao Wen Hao Felix	10/1/2000	10/1/2001 – 9/1/2003	16.00	(6)	500,000	–	(500,000)	–	–
	2/5/2002	1/11/2002 – 31/10/2003	1.320	(1)&(6)	500,000	–	(500,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502	(6)	–	1,000,000	–	1,000,000	0.27
Chan Yau Ching Bob	6/11/2000	16/5/2001 – 15/5/2003	5.400	(1)	250,000	–	(250,000)	–	–
	31/8/2001	1/3/2002 – 28/2/2004	2.600	(1)	1,500,000	–	–	1,500,000	0.41
	2/5/2002	2/5/2002 – 30/4/2003	1.320		1,500,000	–	(1,500,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	3,000,000	–	3,000,000	0.82
Kwok Oi Kuen Joan Elmond	6/11/2000	16/5/2001 – 15/5/2003	5.400	(1)	750,000	–	(750,000)	–	–
	2/5/2002	2/5/2002 – 30/4/2003	1.320		3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	3,000,000	–	3,000,000	0.82
Law Ka Kin Eugene	6/11/2000	16/5/2001 – 15/5/2003	5.400	(1)	500,000	–	(500,000)	–	–
	2/5/2002	2/5/2002 – 30/4/2003	1.320		3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	1,000,000	–	1,000,000	0.27
Li Yuen Cheuk Thomas	2/5/2002	2/5/2002 – 30/4/2003	1.320		3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	1,000,000	–	1,000,000	0.27
Chan Hak Sin	2/5/2002	1/11/2002 – 31/10/2003	1.320	(1)	200,000	–	(200,000)	–	–
Leung Ka Kui Johnny	2/5/2002	1/11/2002 – 31/10/2003	1.320	(1)	200,000	–	(200,000)	–	–
Wong Chuk Yan	2/5/2002	1/11/2002 – 31/10/2003	1.320	(1)	200,000	–	(200,000)	–	–
					21,100,000	16,000,000	(19,600,000)	17,500,000	4.77

notes:

- (1) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.
- (2) The closing price of the share immediately before the date of grant of options was HK\$0.51.
- (3) The lapsed options were due to expiry.
- (4) No option was exercised or cancelled during the year.
- (5) The fair value of the options granted by the Company to the Directors during the year totaled approximately HK\$308,800. The assumptions in arriving the fair value of the options are disclosed in the relevant notes to the section under the heading "Share Option Schemes" below.
- (6) Mr Miao Wen Hao Felix and Mr Wong Kin Yick Kenneth were appointed as Directors of the Company during the year.
- (7) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.
- (8) The options are held by the Directors in the capacity of beneficial owner.

## Directors' Report

### B. Associated corporations (within the meaning of SFO)

#### 1. CFSG

##### (a) Long positions in the shares

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	217,977,717*	57.78
Wong Kin Yick Kenneth	Beneficial owner	620,000	–	0.16
		620,000	217,977,717*	57.94

\* The shares were held as to 24,564,000 shares by Cash Guardian and as to 193,413,717 shares by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of the Company. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian and in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

## Directors' Report

(b) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (note 1) (HK\$)	notes	Number of options				Percentage to issued shares as at 31 December 2003 (%)
					outstanding as at 1 January 2003	adjusted on 4 November 2003 (note 1)	granted during the year (notes 3, 4 & 6)	outstanding as at 31 December 2003	
Kwan Pak Hoo Bankee	3/11/2003	3/11/2003 – 31/10/2004	0.60	(8)	–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44	(8)	–	–	2,450,000	2,450,000	0.65
Law Ping Wah Bernard	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	1,000,000	1,040,000	–	2,040,000	0.54
	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Wong Kin Yick Kenneth	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)&(7)	1,000,000	1,040,000	–	2,040,000	0.54
	3/11/2003	3/11/2003 – 31/10/2004	0.60	(7)	–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44	(7)	–	–	2,450,000	2,450,000	0.65
Miao Wen Hao Felix	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)&(7)	750,000	780,000	–	1,530,000	0.41
	3/11/2003	3/11/2003 – 31/10/2004	0.60	(7)	–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44	(7)	–	–	2,450,000	2,450,000	0.65
Chan Yau Ching Bob	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Kwok Oi Kuen Joan Elmond	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Law Ka Kin Eugene	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	1,250,000	1,300,000	–	2,550,000	0.68
	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
					4,000,000	4,160,000	28,350,000	36,510,000	9.68

notes:

- (1) The number and the exercise price of options which remained outstanding on 27 October 2003 have been adjusted due to rights issue of shares in CFSG with effect from 4 November 2003.
- (2) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.
- (3) The closing price of the share immediately before the date of grant of options on 3 November 2003 was HK\$0.55.
- (4) The closing price of the share immediately before the date of grant of options on 2 December 2003 was HK\$0.45.
- (5) No option was lapsed, exercised or cancelled during the year.
- (6) The fair value of the options granted by CFSG to the Directors on 3 November 2003 and 2 December 2003 totaled approximately HK\$390,040. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:
  - (i) an expected volatility of 17% and 20% respectively;

## Directors' Report

- (ii) no annual dividends; and
- (iii) the estimated expected life of the options granted during the year is 2 and 1 year(s) respectively. The corresponding 2 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.14%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, which can materially affect the fair value estimate. Thus, in the Directors' opinion, the existing model does not necessary provide a reliable single measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

No charge is recognised in the income statement in respect of the value of options granted during the year.

- (7) Mr Miao Wen Hao Felix and Mr Wong Kin Yick Kenneth were appointed as Directors of the Company during the year.
- (8) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.
- (9) The options are held by the Directors in the capacity of beneficial owner.

### (c) Long positions in the underlying shares – convertible note

Name	Date of convertible note	Exercise period	Conversion price per share (HK\$)	Number of underlying shares as at 31 December 2003	Percentage to issued shares as at 31 December 2003 (%)
Kwan Pak Hoo Bankee	28/9/2001	28/9/2001 – 31/12/2006	1.47	85,102,040	22.56

note: The convertible note in the outstanding amount of HK\$125,100,000 was held by a subsidiary of CIGL, a wholly-owned subsidiary of the Company. Mr Kwan was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.



## Directors' Report

### 2. Pricerite

#### (a) Long positions in the shares

Name	Capacity	Number of shares	
		Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	70,971,614*	68.35

\* The shares were held by CIGL and its subsidiaries. Mr Kwan was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

#### (b) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (note 1) (HK\$)	notes	Number of options				Percentage to issued shares as at 31 December 2003 (%)	
					outstanding as at 1 January 2003	adjusted on 6 May 2003 (note 1)	lapsed during the year (notes 3)	granted during the year (notes 2 & 5)		
					outstanding as at 31 December 2003					
Kwan Pak Hoo Bankee	17/1/2002	1/2/2002 – 31/1/2004	4.20	(8)	20,000,000	(19,000,000)	–	–	1,000,000	0.96
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2004	1.79	(8)	–	–	–	1,000,000	1,000,000	0.96
	12/6/2001	16/6/2001 – 15/6/2003	4.20		7,200,000	(6,840,000)	(360,000)	–	–	–
	17/1/2002	1/2/2002 – 31/1/2004	4.20		13,000,000	(12,350,000)	–	–	650,000	0.63
	2/12/2003	2/12/2003 – 30/11/2004	1.79		–	–	–	1,000,000	1,000,000	0.96
Miao Wen Hao Felix	2/12/2003	1/12/2004 – 30/11/2005	1.79	(7)	–	–	–	500,000	500,000	0.48
Chan Yau Ching Bob	2/12/2003	2/12/2003 – 30/11/2004	1.79		–	–	–	1,000,000	1,000,000	0.96
Kwok Oi Kuen Joan Elmond	17/1/2002	1/2/2002 – 31/1/2004	4.20	(6)	20,000,000	(19,000,000)	(1,000,000)	–	–	–
Li Yuen Cheuk Thomas	12/6/2001	16/6/2001 – 15/6/2003	4.20		14,400,000	(13,680,000)	(720,000)	–	–	–
	17/1/2002	1/2/2002 – 31/1/2004	4.20		6,000,000	(5,700,000)	–	–	300,000	0.29
	2/12/2003	1/12/2004 – 30/11/2005	1.79		–	–	–	500,000	500,000	0.48
					80,600,000	(76,570,000)	(2,080,000)	4,000,000	5,950,000	5.72

notes:

- (1) The number and the exercise price of options which remained outstanding on 6 May 2003 have been adjusted due to share consolidation of Pricerite for 20 shares into 1 share with effect from 6 May 2003.
- (2) The closing price of the share immediately before the date of grant of options was HK\$1.80.
- (3) The lapsed options were due to expiry or cessation of directorship with Pricerite.
- (4) No option was exercised or cancelled during the year.

## Directors' Report

- (5) The fair value of the options granted by Pricerite to the Directors during the year totaled approximately HK\$140,900. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

- (i) an expected volatility of 41%;
- (ii) no annual dividends; and
- (iii) the estimated expected life of the options granted during the year is 1 year. The corresponding 1 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.14%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, which can materially affect the fair value estimate. Thus, in the Directors' opinion, the existing model does not necessary provide a reliable single measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

No charge is recognised in the income statement in respect of the value of options granted during the year.

- (6) Ms Kwok Oi Kuen Joan Elmond resigned as a director of Pricerite during the year.
- (7) Mr Miao Wen Hao Felix was appointed as a Director of the Company during the year.
- (8) Mr Kwan Pak Hoo Bankee is also a substantial shareholder of the Company.
- (9) The options are held by the Directors in the capacity of beneficial owner.

Save as disclosed above, as at the 31 December 2003, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## SHARE OPTION SCHEMES

### The Company

Particulars of the Company's share option schemes and details of movements in the share options to subscribe for shares of HK\$0.10 each in the Company granted under the share option schemes during the year are set out in note 32(A) to the financial statements.

## Directors' Report

As disclosed in note 32(A) to the financial statements, the Company had granted a total number of 16,000,000 options during the year. The fair value of the said options totaled approximately HK\$308,800. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

- (i) an expected volatility of 25%;
- (ii) no annual dividends; and
- (iii) the estimated expected life of the options granted during the year is 2 years. The corresponding 2 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.14%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, which can materially affect the fair value estimate. Thus, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

No charge is recognised in the income statement in respect of the value of options granted during the year.

### The subsidiaries

CFSG and Pricerite had also adopted their respective share option schemes. Particulars of the share option schemes of CFSG and Pricerite and details of movements in the share options to subscribe for shares of HK\$0.10 each in CFSG and Pricerite granted under the share option schemes during the year are set out in notes 32(B) and 32(C) respectively to the financial statements.

## Directors' Report

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Jeffnet Inc (note)	Trustee of a discretionary trust	156,952,376	42.94
Cash Guardian (note)	Interest in a controlled corporation	156,952,376	42.94

note: This refers to the same number of shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet Inc ("Jeffnet")). Jeffnet held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan and Jeffnet were deemed to be interested in the shares held by Cash Guardian. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests in securities" above.

Save as disclosed above, at 31 December 2003, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

### POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the accounting period covered by this Annual Report save for the Independent Non-executive Directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws.

## Directors' Report

### AUDIT COMMITTEE

The Audit Committee of the Company was established on 28 June 1999 and was comprising Dr Chan Hak Sin and Mr Leung Ka Kui Johnny, both being Independent Non-executive Directors, as at 31 December 2003. Mr Wong Chuk Yan was also appointed as a member of the Audit Committee on 30 March 2004.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year, the Audit Committee had held two meetings for reviewing and supervising the financial reporting process, the Company's financial statements, and providing advice and recommendations to the Board.

### AUDITORS

The financial statements of the Company for the year was audited by Messrs Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Bankee P Kwan**

*Chairman & CEO*

Hong Kong, 1 April 2004