

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and 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 subsidiaries comprise the trading of steel, and the manufacture and trading of electronic products. There were no changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit 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 14 to 46.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 47. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's issued share capital and share options during the year, together with the reasons therefore, are set out in notes 23 and 24 to the financial statements.

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.

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 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

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DISTRIBUTABLE RESERVES

At the balance sheet date, the Company's share premium account, in the amount of HK\$418,511,000, may be distributed in the form of fully paid bonus shares. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company, in the amount of HK\$88,380,000 as at 31 December 2003, is distributable to shareholders in certain circumstances, as prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 86% of the total sales for the year and sales to the largest customer included therein amounted to 33%. Purchases from the Group's five largest suppliers accounted for 72% of total purchases for the year and purchases from the largest supplier included therein amounted to 23%.

None of the directors of the Company or any of their associates or any 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:

Lau Chi Yung, Kenneth	<i>(Chairman)</i>
Tsang Pak Chung, Eddy	<i>(Vice-Chairman)</i>
Lau Michael Kei Chi	<i>(appointed on 8 April 2003)</i>
Cho Po Hong, Jimmy	
Leung Wei San, Saskia	<i>(resigned on 8 April 2003)</i>

Independent non-executive directors:

Albert Thomas da Rosa, Junior
Choy Tak Ho

In accordance with the Company's bye-laws, Mr. Choy Tak Ho will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on page 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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.

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DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transactions disclosed in note 27 to the financial statements, no director had a material interest in any material contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellows subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the interests of the directors in the share capital 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 by the Company pursuant to Section 352 of 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, were as follows:

Long position in ordinary shares of the Company:

<u>Name of director</u>	<u>Nature of interest</u>	<u>Number of shares held</u>	<u>Percentage of the Company's issued share capital</u>
Lau Chi Yung, Kenneth	Through a controlled corporation	1,018,154,999#	56.56

Long position in shares of associated corporations:

<u>Name of director</u>	<u>Name of associated corporation</u>	<u>Relationship with the Company</u>	<u>Shares</u>	<u>Number of shares held</u>	<u>Capacity and nature of interest</u>	<u>Percentage of the associated corporation's issued share capital</u>
Lau Chi Yung, Kenneth	Multifield International Holdings Limited	Company's intermediate holding company	Ordinary shares	2,327,424,000#	Through a controlled corporation	58.18

The above shares are ultimately controlled by Power Resources Holdings Limited, which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

The interests of the directors in the share options of the Company are separately disclosed in note 24 to the financial statements.

Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the year.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option schemes disclosures in note 24 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 minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire such rights in any body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Limitless Investment Limited	(1)	Directly owned	1,018,154,999	56.56
Multifield International Holdings (BVI) Limited	(1)	Through a controlled corporation	1,018,154,999	56.56
Multifield International Holdings Limited	(2)	Through a controlled corporation	1,018,154,999	56.56
Lucky Speculator Limited	(2)	Through a controlled corporation	1,018,154,999	56.56
Power Resources Holdings Limited	(2)	Through a controlled corporation	1,018,154,999	56.56

Notes:

- (1) Limitless Investment Limited directly owned 1,018,154,999 shares in the Company. Multifield International Holdings (BVI) Limited has also declared an interest in the same 1,018,154,999 shares by virtue of its direct shareholding in Limitless Investment Limited.
- (2) Multifield International Holdings Limited, Lucky Speculator Limited and Power Resources Holdings Limited have also declared their interests in the same 1,018,154,999 shares in which Limitless Investment Limited has declared an interest, by virtue of their indirect shareholdings in Limitless Investment Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Further details of the connected transactions are set out in note 27 to the financial statements.

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CODE OF BEST PRACTICE

In the opinion of the directors, the Company 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 year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company, in accordance with the provisions of the Company’s bye-laws.

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

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lau Chi Yung, Kenneth

Chairman

Hong Kong

16 April 2004