

The directors present report and the audited financial statement of the Company for the year ended 31 December 2003.

### **GROUP REORGANISATION AND LISTING OF THE COMPANY'S SHARES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

The Company was incorporated on 5 July 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 20 December 2002. Details of the group reorganization are set out in note 25 to the financial statement and the paragraph headed "Corporate Reorganisation" in appendix V of the prospectus of the Company dated 18 February 2003.

The shares of the Company have been listed on the Stock Exchange with effect from 3 March 2003.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the financial statements.

### **RESULTS AND APPROPRIATIONS**

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

The Directors do not recommend the payment of any final dividend.

### **INVESTMENT PROPERTIES**

The Group's investment properties were revalued as at 31 December 2003, as set out in note 13 to the financial statements. A deficit was arising on revaluation.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements property, plant and equipment of the Group during the year ended 31 December 2003 are set out in note 14 to the financial statements.

### **SHARE CAPITAL**

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

## SHARE OPTION SCHEME

The Company's share option scheme (the Scheme) was adopted pursuant to a resolution passed on 12 February 2003 for the purpose of recognition of the contribution from directors and eligible employees of the Group, and will expire in February 2013. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may granted under the Scheme, when aggregated with any shares subject to any other schemes is not permitted to exceed 10% of the issued share capital of the Company immediately upon the listing of the shares on the Stock Exchange, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the expiry of 6 months from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, and will not be less than the higher of the average closing price of the shares for the five business days immediately preceding the date of grant or the closing price of the shares on the date of grant.

No option was granted by the Company since the adoption of the Scheme.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive directors:

Wong Shu Wing

Kwan Kim Fai, Stanley

Choi Tat Kai

Lau Kit Hung

Bok Teck Tien (Resigned on 23 June 2003)

Tsing Kwok Lun, Allan (Resigned on 23 June 2003)

### Independent non-executive directors:

Lau Chung Kwan

Yeung Ming Tai

In accordance with the provisions of the Company's Articles of Association, Mr. Kwan Kim Fai, Stanley will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election. The remaining Director shall remain in office.

Each of the executive directors has entered into a service agreement with the Company under which they act as executive directors for an initial term of three years (as to Wong Shu Wing), two years (as to Kwan Kim Fai, Stanley and Bok Teck Tien) and one year (as to that of Tsing Kwok Lun, Allan, Choi Tat Kai and Lau Kit Hung) respectively commencing from 3 March 2003 and shall continue thereafter from year to year until terminated by either party with three months' notice in writing served on the other side. Under the service agreements, the executive Directors are entitled to an aggregate monthly salaries of HK\$259,829 with no bonus. All the executive directors are entitled to all reasonable out-of-pocket expenses and medical benefits/insurance on terms to be agreed with the Company.

Each independent non-executive directors has entered into a service agreement with the Company for an initial term of one year commencing from 3 March 2003 and shall continue thereafter from year to year until terminated by either party with one month's notice in writing served on the other side. Under the service agreements, the independent non-executive directors are entitled to an aggregate fee of HK\$100,000 per year.

Save as disclosed above, none of directors being 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' INTERESTS IN SHARES

At 31 December 2003, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

### Interest in the Company's shares

Name	Capacity/ Nature of Interest	Number of share held		Percentage of the issued share capital of the Company
		Long position	Short position	
Wong Shu Wing	Corporate	204,000,000 (Note)	—	51%
Kwan Kim Fai, Stanley	Personal	36,000,000	—	9%

Note: These shares are held by Best Eagle International Ltd., a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Wong Shu Wing.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests or short positions in any shares of the Company or any of its associated corporations as at 31 December 2003.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the issue of shares of the Company pursuant to the Corporate Reorganisation mentioned above, 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, and none of directors, or their spouses or children under the age of 18, had right to subscribe for the securities of the Company, or had exercised any such right during the year.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding 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 31 December 2003 or at any time during the year then ended.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows the following shareholders were interested in 5% or more of the issued share capital of the Company:

Name	Capacity/ Nature of Interest	Number of share held		Percentage of the issued share capital of the Company
		Long position	Short position	
Best Eagle International Ltd. (Note 1)	Corporate	204,000,000	—	51%
Wong Shu Wing (Note 1)	Personal	204,000,000	—	51%
D & M International Ltd. (Note 2)	Corporate	60,000,000	—	15%
Leung Yu Ming, Steven (Note 2)	Personal	60,000,000	—	15%
Kwan Kim Fai, Stanley	Personal	36,000,000	—	9%

Notes:

1. The entire issued share capital of Best Eagle International Ltd. is beneficially owned by Mr. Wong Shu Wing. Therefore both Best Eagle International Ltd. and Mr. Wong Shu Wing are deemed to have the duplicate interests in the share capital of the Company under the SFO.
2. The entire issued share capital of D & M International Ltd. is beneficially owned by Mr. Leung Yu Ming, Steven. Therefore both D & M International Ltd. and Mr. Leung Yu Ming, Steven are deemed to have the duplicate interests in the share capital of the Company under the SFO.

Save as disclosed herein, as at 31 December 2003, no other person was recorded in the Company's register maintained by the Company pursuant to Section 336 of the SFO as having an interest in the issued share capital of the Company representing 5% or more of the issued capital.

Save as disclosed herein, the Directors are not aware of any person, other than the persons (including his personal, family and corporate interests) as aforementioned, who had, directly or indirectly, an interest in the issued capital (including short positions) representing 5% or more of the issued capital as at 31 December 2003.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2003, the five largest customers of the Group accounted for about 29% of the turnover of the Group and the largest customer accounted for about 15% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 69% of its purchases for the year. Purchases from the largest supplier accounted for about 26% of its purchases.

At no time during the year, none of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group.

### **RETIREMENT BENEFITS SCHEMES**

The Group makes mandatory contributions to Mandatory Provident Fund Scheme for its staff in Hong Kong and retirement plans for those staff in other jurisdictions.

### **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

### **CORPORATE GOVERNANCE**

The Company has complied throughout the period from 3 March 2003, its listing date, to 31 December 2003 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

### **AUDIT COMMITTEE**

The Audit Committee comprises two independent non-executive Directors of the Company, namely Mr. Lau Chung Kwan and Mr. Yeung Ming Tai. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the report and financial statements for the year ended 31 December 2003 with the Directors.

### **PRE-EMPTIVE RIGHTS**

There are no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

### **AUDITORS**

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

On behalf of the Board

**Wong Shu Wing**

*Chairman*

Hong Kong  
27 April 2004