

The directors hereby present their report together with the audited accounts for the year ended 31st December 2003.

## **PRINCIPAL ACTIVITIES AND BUSINESS AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the Company is investment holding. The activities of the subsidiaries are shown in note 14 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December 2003 are set out on page 16.

The directors recommend the payment of a final dividend of 4 cents per ordinary share, totalling HK\$18,377,146 (2002: Nil).

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of the results, net assets, capital and reserves of the Group for the last five financial years is set out on page 3.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the accounts.

## **FIXED ASSETS**

Details of the movements in fixed assets are shown in note 13 to the accounts.

## **PRINCIPAL PROPERTY INTERESTS HELD**

Details of the Group's principal property interests held for development and sale and for investment purposes are set out on page 70.

## SHARE CAPITAL

Details of the share capital of the Company are shown in note 24 to the accounts.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2003, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$19,237,510 (2002: Nil).

## DIRECTORS

The names of the directors serving during the year and at the date of this report are set out on page 2.

In accordance with articles 94 and 95 of the Company's Articles of Association, Messrs Chen Gui Zong and Ip Kai Ming retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors who are 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.

## DIRECTORS' INTERESTS

No contracts of significance in relation to the Company's business to which the Company or 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.

At no time during the year was the Company or its subsidiaries a party to any arrangement 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.

At 31st December 2003, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (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 ("SEHK") pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" issued by the SEHK.

## SUBSTANTIAL SHAREHOLDERS

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31st December 2003, the following corporations had interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Corporation	Notes	Number of shares held	Percentage of shareholding
Samba Limited ("Samba")		144,885,000	31.54%
Papilio Inc.	1	169,125,000	36.81%
Vigour Fine Company Limited ("Vigour Fine")	1	192,764,600	41.96%
Fujian International Trust & Investment Corporation ("FITIC")	2	192,764,600	41.96%

Notes:

1. Papilio Inc. and Vigour Fine, which were both substantial shareholders of Samba were deemed to be interested in Samba's interest of 144,885,000 shares in the Company.
2. FITIC was deemed to be interested in Vigour Fine's interest of 192,764,600 shares in the Company by virtue of its controlling interests in Vigour Fine.

All the interests stated above represent long positions in the ordinary shares of the Company. As at 31st December 2003, no short positions were recorded in the register maintained by the Company under section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## MANAGEMENT CONTRACTS

During the year, the Company renewed the annual management agreement with Vigour Fine, a substantial shareholder of the Company, whereby Vigour Fine provides management services to the Company which include the provision of directors to the board of directors of the Company. Management fee of HK\$1,880,000 has been paid to Vigour Fine during the year.

Messrs Ding Shi Da, Yang Sheng Ming, Zhu Xue Lun and Shang Jian Guang have interest in the above transaction as directors of Vigour Fine.

Except for the above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details in respect of the directors and senior management are set out on pages 7 to 9.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its products and services from its 5 largest suppliers and sold less than 30% of its products and services to its 5 largest customers.

## CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered into by the Group during the year ended 31st December 2003, which are not required to be disclosed under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as connected transactions, are disclosed in notes 15, 16, 21(a) and 30(a) to the accounts.
- (b) Other related party transaction, which also constitute a connected transaction under the Listing Rules, is disclosed in note 30(b) to the accounts.

## AUDIT COMMITTEE

The Company has established an audit committee comprising two independent non-executive directors, namely Messrs Robert Tsai To Sze and Ip Kai Ming, with written terms of reference. The primary duties of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls.

## CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company’s Articles of Association.

## DIRECTORS’ TRANSACTIONS

Based on the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules, the Company has established its own “Code for Securities Transactions by Directors” (the “Code”). The Code imposes stricter control than the Model Code on Director’s securities transactions. The Company is not aware of any non-compliance with the Code in 2003.

## **POST BALANCE SHEET DATE EVENTS**

Details of the post balance sheet date events are disclosed in note 31 to the accounts.

## **AUDITORS**

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**DING SHI DA**

*Chairman*

HONG KONG, 23rd April 2004