

REPORT OF THE DIRECTORS

The Directors present herewith their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2003.

FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated profit and loss account on page 21.

The Directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company and the principal activities of the Group are property investment and development, estate management and investment holding.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the 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 66.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 19 to the financial statements.

PRINCIPAL PROPERTIES

Details of the Group’s major properties are set out on pages 63 to 65.

SUBSIDIARIES

The particulars of the Group’s principal subsidiaries as at 31st December, 2003 are set out on pages 60 to 61.

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ASSOCIATED COMPANIES

The particulars of the Group's principal associated companies as at 31st December, 2003 are set out on page 62.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 11 to the financial statements.

BANK LOANS AND OVERDRAFTS

Details of the bank loans and overdrafts of the Group as at 31st December, 2003 are set out in note 21 to the financial statements.

INTEREST CAPITALISED

Details of the interest capitalised during the year are set out in note 4 to the financial statements.

DIRECTORS

The Directors during the year were:—

Mr DAI Xiaoming
Mr Kenneth Hiu King KON
Mr Jesse Nai Chau LEUNG
Mr XIANG Bing*
Mr Edward SHEN*

* *Independent Non-executive Directors*

In accordance with Article 102 of the Company's Articles of Association, Messrs. Jesse Nai Chau Leung and Edward Shen retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

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 other than normal statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 10 to 11.

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CONNECTED TRANSACTIONS

The Group has entered into the following connected transactions, which are disclosed in accordance with Chapter 14 of the Listing Rules:

- (a) On 23rd November, 2002, Turbo Dragon Limited, a wholly-owned subsidiary, granted a loan to Beijing Lucky Building Company Limited ("Beijing Lucky"), a 61.1% owned subsidiary, for the purpose of financing Beijing Lucky's working capital. The loan is unsecured, interest bearing at a rate of 6.5% per annum and repayable on demand. As at 31st December, 2003, the balance of the unpaid loan was HK\$5,280,000 (2002: HK\$5,280,000).
- (b) On 26th August, 1998, 5th June, 2000, 29th November, 2000 and 13th December, 2000, Enfort Company Limited ("Enfort"), a wholly-owned subsidiary, granted loans of HK\$9,700,000, HK\$50,000,000, HK\$4,706,000 and HK\$3,625,000 respectively to Beijing Dan Yao Property Co. Ltd. ("Dan Yao"), a 85% owned subsidiary, for the purpose of financing Dan Yao's working capital. The loans are unsecured, interest bearing at a rate of 6% per annum and repayable on demand. During the year, interest totalling HK\$3,705,000 (2002: HK\$4,933,000) was received by and no loan (2002: HK\$3,985,000) was repaid to Enfort. As at 31st December, 2003, the balance of the unpaid loan was HK\$60,900,000 (2002: HK\$60,900,000).
- (c) On 21st November, 2000, Dan Yao entered into respective agreements (the "Agency Agreements") with Mr. Zhao Sheng Li and Mr. Hua Ming, being two connected persons of the Company, to act as their property management agent of the properties owned by them for a period from 1st July, 2001 to 30th June, 2009. Under the Agency Agreements, Dan Yao is entitled to all the net income arising from leasing the properties and in return, Dan Yao has undertaken the repayments of mortgage loans amounted to RMB5,090,000 (HK\$4,797,000) and the interest accrued thereon and provided corporate guarantees to the bank on the mortgage loans. As at 31st December, 2003, such mortgage loans amounted to RMB3,364,000 (HK\$3,171,000) (2002: RMB3,946,000 (HK\$3,719,000)).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31st December, 2003, the interests and short positions of each Director, Chief Executive and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be 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 Issuers (the "Model Code"):-

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Ordinary shares of the Company at HK\$0.5 each

Name of Director	Number of ordinary shares beneficially held				Total Interest
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
DAI Xiaoming (<i>Note</i>)	23,000,000	–	388,720,881	–	411,720,881

Note: Being the ultimate beneficial owner of shares representing 95% of the issued share capital of Dan Form International Limited ("DFIL"), the ultimate holding company of Fabulous Investments Limited ("Fabulous"), Mr. Dai Xiaoming ("Mr. Dai") is deemed to be interested in the 2,660,000 and 386,060,881 ordinary shares in the Company beneficially held by DFIL and Fabulous respectively.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations 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 pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Cont'd)

At no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Chief Executive, Directors or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

1. Aggregate long position in the shares and underlying shares of the Company

As at 31st December, 2003, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being 5% or more of the Company's issued share capital, 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	Note	Number of ordinary shares held	Percentage of the issued share capital of the Company
DAI Xiaoming	(1)	411,720,881	36.26
Harlesden Limited	(2)	388,720,881	34.23
DFIL	(2)	388,720,881	34.23
Value Plus Holdings Limited	(2)	386,060,881	34.00
Fathom Limited	(2)	386,060,881	34.00
Fabulous	(2)	386,060,881	34.00
Nina KUNG	(3)	261,808,697	23.05
Greenwood International Limited	(3)	245,094,197	21.58
China National Foreign Trade Transportation (Group) Corporation	(4)	94,836,971	8.35
Focus-Asia Holdings Limited	(4)	94,836,971	8.35

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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Cont'd)

1. Aggregate long position in the shares and underlying shares of the Company (Cont'd)

Notes:—

- (1) Mr. Dai was beneficially interested in a total of 411,720,881 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above.
- (2) By virtue of the SFO, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 386,060,881 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,660,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.
- (3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.58% of the issued share capital of the Company. Ms. Nina Kung (Mrs. Nina T.H. Wang) was beneficially interested in a total of 261,808,697 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.05% of the issued share capital of the Company.
- (4) Focus-Asia Holdings Limited ("Focus-Asia") was beneficially interested in a total of 94,836,971 ordinary shares in the Company. China National Foreign Trade Transportation (Group) Corporation, being a holding company of Focus-Asia, is deemed to be interested in the 94,836,971 ordinary shares in the Company beneficially held by Focus-Asia.

2. Aggregate short position in the shares and underlying shares of the Company

As at 31st December, 2003, the Company had not been notified of any short position being held by any substantial shareholders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 31st December, 2003, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

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MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the largest and the five largest customers accounted for 25% and 55% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for 21% and 34% respectively of the total purchases of the Group for the year.

None of the Directors, their associates or those shareholders who, to the knowledge of the Directors, own more than 5% of the Company's share capital, had interest in any of the five largest customers or suppliers.

CODE OF BEST PRACTICE

In the opinion of the Directors, except that the Non-executive Directors were not appointed for a specific term (but are subject to retirement by rotation and re-election at annual general meetings in accordance with Article 102 of the Articles of Association of the Company), the Company has complied with the Code of Best Practice throughout the year ended 31st December, 2003.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company set up an Audit Committee on 15th September, 1998. The terms of reference of the Audit Committee have been established with reference to "A Guide for the Effective Audit Committees" issued by the Hong Kong Society of Accountants on February, 2002. The Audit Committee comprises two Independent Non-executive Directors, namely Mr. Xiang Bing and Mr. Edward Shen. During the year, the Audit Committee held two meetings on 4th April, 2003 and 16th September, 2003 to discuss the financial reporting matters with management including the review of the Group's financial reporting process, the adequacy and effectiveness of the Group's systems of internal control, and the interim and annual financial statements of the Group.

AUDITORS

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

On behalf of the Board

DAI XIAOMING

Chairman

Hong Kong, 19th April, 2004