



Report of the Directors

The Directors herein present their report and the audited financial statements 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 its subsidiaries comprise the production and trading of Shao Xing wine. Subsequent to the balance sheet date, the Group disposed of and discontinued its production and trading of Shao Xing wine business and acquired certain new businesses, details of the disposal and the acquisitions are set out in notes 10 and 37 to the financial statements.

Apart from the foregoing, there were no other significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss 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 26 to 76.

The Directors did not recommend the payment of any dividend in respect of the year.



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SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate and after adjustment for the effect of the prior year adjustment as detailed in note 12 to the financial statements, is set out below.

	Year ended 31 December				
	2003	2002	2001	2000	1999
RESULTS	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)	
TURNOVER					
Discontinuing operations	195,456	152,916	152,821	135,617	134,116
Discontinued operations	–	–	40,342	52,374	52,910
	<u>195,456</u>	<u>152,916</u>	<u>193,163</u>	<u>187,991</u>	<u>187,026</u>
NET LOSS FROM ORDINARY ACTIVITIES					
ATTRIBUTABLE TO SHAREHOLDERS	(36,693)	(27,953)	(341,359)	(93,463)	(37,263)
	<u>(36,693)</u>	<u>(27,953)</u>	<u>(341,359)</u>	<u>(93,463)</u>	<u>(37,263)</u>
	As at 31 December				
	2003	2002	2001	2000	1999
ASSETS, LIABILITIES AND	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
MINORITY INTERESTS		(Restated)	(Restated)	(Restated)	
Total assets	566,697	475,855	519,053	931,710	768,844
Total liabilities	(298,189)	(219,527)	(231,256)	(348,534)	(283,633)
Minority interests	(107,453)	(96,451)	(99,216)	(98,375)	(84,230)
	<u>161,055</u>	<u>159,877</u>	<u>188,581</u>	<u>484,801</u>	<u>400,981</u>

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PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company for the year ended 31 December 2003, together with the reasons therefor, are set out in notes 30 and 31 to the financial statements, respectively.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated summary statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company did not have any reserves available for cash distribution or distribution in specie at 31 December 2003 as computed in accordance with the Companies Act 1981 of Bermuda (as amended). The Company's share premium account of HK\$540,934,000 as at 31 December 2003 may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive directors

Lee Tiong Hock (<i>Managing Director</i>)	(appointed on 4 September 2003)
Yu Won Kong, Dennis	(appointed on 13 November 2003)
Kwee Cahyadi Kumala	(resigned on 7 August 2003)
Chan Chuen Wing	(redesignated as a non-executive director on 12 August 2003 and resigned on 23 October 2003)
Guan Xian Liang	(resigned on 30 July 2003)
Dequina Karen	(resigned on 30 July 2003)



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Non-executive directors

Li Siu Lok, Albert	(appointed as an executive director on 30 July 2003 and redesignated as a non-executive director on 16 January 2004)
Liaw Chung Shiung	(redesignated as a non-executive director on 12 August 2003)

Independent non-executive directors

Tso Hon Sai, Bosco	(appointed on 30 July 2003)
Kwok Chi Sun, Vincent	(appointed on 30 July 2003)
Chuan Kow Chian	(resigned on 30 July 2003)
Leow Bock Lim	(resigned on 30 July 2003)

In accordance with Bye-laws 91 and 99(B) of the Company's Bye-laws, Mr. Lee Tiong Hock, Mr. Yu Won Kong, Dennis, Mr. Li Siu Lok, Albert, Mr. Tso Hon Sai, Bosco and Mr. Kwok Chi Sun, Vincent will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director, is the period up to his retirement by rotation in accordance with the Bye-laws of the Company.

DIRECTORS' SERVICE CONTRACTS

Mr. Lee Tiong Hock and Mr. Yu Won Kong, Dennis have service contracts with the Group for a term of two years commencing on 1 February 2004 which is subject to termination by either party by giving not less than three months' written notice.

Apart from the foregoing, no director 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2003, none of the directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) that was required to be kept 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").

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DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of acquisition of shares of the Company granted to any director or his respective spouse or minor children or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

INTERESTS DISCLOSURE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 December 2003, the persons (other than the Directors or chief executives of the Company) who had 5% or more interest and short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:-

Long positions in shares in the Company:-

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage holding
Ample Glory Limited		Directly beneficially owned	1,128,362,526	14.13
Kwok Ying Leung ("Mr. Kwok")	(a)	Through a controlled corporation	1,128,362,526	14.13
Cheung Lai Sheung, Winnie	(b)	Through family members	1,128,362,526	14.13
Prestbury Incorporated Ltd. ("Prestbury")		Directly beneficially owned	727,410,624	9.11
Kwee Cahyadi Kumala ("Mr. Kwee")	(c)	Through a controlled corporation and directly beneficially owned	779,910,624	9.76
Pan Asia Sat Media Ltd.	(d)	Directly beneficially owned	665,568,000	8.33
Wo Kit Sang		Directly beneficially owned	416,000,000	5.20



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Notes:

- (a) The ordinary shares were held by Ample Glory Limited, which was wholly-owned by Mr. Kwok. Accordingly, Mr. Kwok was deemed to be interested in the 1,128,362,526 shares held by Ample Glory Limited.
- (b) Ms. Cheung Lai Sheung, Winnie was deemed to be interested in 1,128,362,526 shares by virtue of the interest in such shares of her spouse, Mr. Kwok.
- (c) Mr. Kwee was the sole shareholder of the entire issued share capital of Prestbury, therefore, Mr. Kwee was deemed to be interested in the shares held by Prestbury. The 779,910,624 shares referred to above comprise (i) 727,410,624 shares held by Prestbury and (ii) 52,500,000 shares held by Mr. Kwee personally.
- (d) Pan Asia Sat Media Ltd is owned as to 75.86% by Mr. Hendro Suwandy, as to 11.14% by the Company and as to the remaining 13.00% by an independent third party. Mr. Hendro Suwandy was therefore deemed to be interested in the 665,568,000 shares held by Pan Asia Sat Media Ltd.

Save as disclosed above, as at 31 December 2003, the Directors were not aware of any other persons (other than the Directors or chief executives of the Company) who had 5% or more interests or short positions in the shares, underlying shares or debentures in the Company as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 31% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 8%.

None of the Directors 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 suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

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CORPORATE GOVERNANCE

In the opinion of the Directors, the Company had complied throughout the year ended 31 December 2003 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange 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 in accordance with the Bye-laws of the Company.

AUDIT COMMITTEE

In compliance with the requirements of the Stock Exchange in its Code, the Company has an audit committee, which was established with written terms of reference and comprises two independent non-executive directors of the Company.

AUDITORS

Ernst & Young would 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

Fortuna International Holdings Limited

Lee Tiong Hock

Managing Director

Hong Kong, 26 April 2004