



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.

■ CHANGE OF COMPANY NAME ■

Pursuant to a special resolution passed at a special general meeting of the Company held on 29 December 2003 and approved by the Registrars of Companies of Bermuda and Hong Kong, the name of the Company was changed from Hudson Holdings Limited to Junefield Department Store Group Limited.

The Chinese translation of the Company name for identification purposes was changed from 德信控股(亞太)有限公司 to 莊勝百貨集團有限公司.

■ PRINCIPAL ACTIVITIES ■

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

■ RESULTS ■

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 20 to 71.

■ SUMMARY FINANCIAL INFORMATION ■

A summary of the published results and 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, is set out on pages 73 to 74. This summary does not form part of the audited financial statements.

■ FIXED ASSETS AND INVESTMENT PROPERTIES ■

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 12 and 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 72.

■ SHARE CAPITAL ■

Details of movements in the Company's share capital, together with the reasons therefor, are set out in note 32 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 holding companies and 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 34 to the financial statements.

■ DISTRIBUTABLE RESERVES ■

At 31 December 2003, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus in the amount of HK\$178,927,000 is currently not available for distribution. The Company's share premium account, in the amount of HK\$41,149,000 as at 31 December 2003, may be distributed in the form of fully paid bonus shares.

■ MAJOR CUSTOMERS AND SUPPLIERS ■

In the year under review, sales to the Group's five largest customers accounted for approximately 47.9% of the total turnover for the year and sales to the largest customer included therein amounted to approximately 11.6%.

The purchases attributable to the Group's five largest suppliers accounted for approximately 41.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 19.1%.

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.



REPORT OF THE DIRECTORS

■ DIRECTORS ■

The directors of the Company during the year were:

Executive directors:

Mr. Zhou Chu Jian He (<i>Chairman and Managing Director</i>)	(appointed on 2 October 2003)
Mr. Yiu Yu Keung, George (<i>Deputy Chairman</i>)	(appointed on 2 October 2003)
Mr. Li Jong Tong, Timothy	(appointed on 2 October 2003)
Mr. Li Fu Kay, Frankie	(appointed on 16 July 2003 and resigned on 15 October 2003)
Mr. Choon Hoi Kit, Edwin	(appointed on 18 July 2003 as an alternate director to Mr. Li Fu Kay, Frankie and resigned on 1 August 2003)
Mr. Kwok Yu Kwong, James	(resigned on 28 January 2003)
Mr. Wong Chi Kwong	(resigned on 21 August 2003)
Mr. Choi Wai Him	(resigned on 29 October 2003)
Mr. Wong Cheung Leung	(appointed on 24 March 2003 and resigned on 3 November 2003)

Independent non-executive directors:

Mr. Leung Man Kit	
Mr. Chan Kwok Wai	
Mr. Tsao Kwang Yung, Peter	(resigned on 4 January 2003)

Subsequent to the balance sheet date, on 26 February 2004, Mr. Zhang Xiao Bing, Adam was appointed as a director of the Company.

In accordance with the Company's bye-laws 86(2), 87(1) and (2), Mr. Yiu Yu Keung, George, Mr. Li Jong Tong, Timothy and Mr. Zhang Xiao Bing, Adam will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The other directors will remain in office for the ensuing year.

■ BIOGRAPHIES OF DIRECTORS ■

Biographical details of the directors of the Company are set out on pages 8 to 9 of the annual report.



■ DIRECTORS' SERVICE CONTRACTS ■

Mr. Zhou Chu Jian He, Mr. Yiu Yu Keung, George and Mr. Li Jong Tong, Timothy entered into service contracts with the Company on 2 October 2003, for the engagement as Chairman and Managing Director, Deputy Chairman and an executive director, respectively, of the Company. The appointments commenced on 2 October 2003 and shall continue for a period of two years unless terminated in accordance with the terms and conditions specified in the contracts.

Mr. Zhang Xiao Bing, Adam entered into a service contract with the Company on 26 February 2004, for the engagement as an executive director. The appointment commenced on 26 February 2004 and will continue for a period of two years unless terminated in accordance with the terms and conditions specified in the contract.

Under the service contracts, the Company may at any time by summary notice in writing terminate the appointment if the appointee commits any breach of any of his material obligations and/or undertakings or commits an act of bankruptcy or commits any act which would permit the Company to terminate the appointment thereunder. On the other hand, the appointee is entitled to terminate the appointment at any time by giving the Company at least three months' notice in writing.

In consideration of their services, each of Mr. Zhou Chu Jian He, Mr. Yiu Yu Keung, George, Mr. Li Jong Tong, Timothy and Mr. Zhang Xiao Bing, Adam is entitled to receive a monthly remuneration of HK\$15,000 or such higher sum as the Company may from time to time decide.

Apart from the foregoing, 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.

■ DIRECTORS' INTERESTS IN CONTRACTS ■

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



■ DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES ■

At 31 December 2003, the interests of a director of the Company in the share capital of the Company or associated corporations (within the meaning of Part XV of the Securities and Future Commission (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:

Name of director	Number of shares held through controlled corporation	Percentage of the Company's issued share capital
Mr. Zhou Chu Jian He (Note)	215,186,500	60.07

Note: 215,186,500 shares are held by Prime Century Investments Limited which is a wholly-owned subsidiary of Junefield (Holdings) Limited which is in turn beneficially owned by Mr. Zhou Chu Jian He, the chairman of the Company.

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.

■ DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES ■

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 and subsidiaries a party to any arrangement to enable the Company's directors to acquire such rights in any other body corporate.



■ SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS ■

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:

Name	Notes	Capacity and nature of interest	Number of ordinary shares	Percentage of the Company's issued share capital
Prime Century Investments Limited	(1)	Directly beneficially owned	215,186,500	60.07
Junefield (Holdings) Limited	(1)	Through a controlled corporation	215,186,500	60.07
Mr. Zhou Chu Jian He	(1)	Through a controlled corporation	215,186,500	60.07
ICEA Financial Services Limited	(2)	See note (2) below	209,086,500	58.37
ICEA Finance Holdings Limited	(2)	See note (2) below	209,086,500	58.37
Industrial and Commercial Bank of China	(2)	See note (2) below	209,086,500	58.37

Notes:

- (1) 215,186,500 shares are held by Prime Century Investments Limited, a wholly-owned subsidiary of Junefield (Holdings) Limited which is in turn beneficially owned by Mr. Zhou Chu Jian He, the chairman of the Company.
- (2) Prime Century Investments Limited executed a charge on 2 October 2003 under which 209,086,500 shares were charged in favour of ICEA Financial Services Limited as security for the performance of obligations of Prime Century Investments Limited with ICEA Financial Services Limited under a loan agreement dated 2 October 2003 entered into between Prime Century Investments Limited and ICEA Financial Services Limited. ICEA Financial Services Limited is a wholly-owned subsidiary of ICEA Finance Holdings Limited which is in turn owned as to 75% by Industrial and Commercial Bank of China.

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

■ CONNECTED TRANSACTIONS ■

On 13 February 2003, a debt settlement agreement was entered into between certain subsidiaries of the Company, a joint venturer and a 49%-owned jointly-controlled entity of the Company. In addition, an arrangement fee of HK\$13,738,000 was payable to the joint venturer. Details of which are set out in note 17 to the financial statements.

■ POST BALANCE SHEET EVENTS ■

Details of the significant post balance sheet events of the Group are set out in note 40 to the financial statements.



REPORT OF THE DIRECTORS

■ 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 Rules Governing the Listing of Securities on the Stock Exchange, throughout the accounting period covered by this report, except that the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with by-laws 87(1) and (2) of the Company.

■ AUDIT COMMITTEE ■

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company, namely Mr. Leung Man Kit and Mr. Chan Kwok Wai.

■ AUDITORS ■

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

ON BEHALF OF THE BOARD

Zhou Chu Jian He
Chairman

Hong Kong
29 April 2004