

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 35 to the financial statements.

SUBSIDIARIES

During the year, the Group disposed of its entire business of toy manufacturing and distribution for an aggregate cash consideration of approximately HK\$25 million.

The Group also, through various acquisitions, acquired approximately 89.7% interest in Masindo International Ltd. ("Masindo"), which owns the entire issued capital of Brewerkz Singapore Pte Ltd. ("Brewerkz"), which operates Brewerkz microbrewery restaurant and Café Iguana bar restaurant in Singapore, for a consideration of approximately HK\$16 million. The Group further acquired the entire issued capital of Crystal Wines & Spirits Pte Ltd., which is engaged in the distribution and retailing of wines and spirits, for a consideration of approximately HK\$2 million.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 18.

The directors do not recommend the payment of a dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers accounted for approximately 18% and 48% respectively of the total turnover of the Group for the year and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the total purchases of the Group for the year.

None of the directors, their associates or shareholders which to the knowledge of the directors owns more than 5% of the Company's share capital has any beneficial interest in the five largest customers or suppliers of the Group.

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SHARE CAPITAL

During the year, the Company issued and allotted 60,000 shares of HK\$0.10 each in the Company as a result of the exercise of share options.

Details of these and other movements during the year in the share capital of the Company are set out in note 23 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group disposed of property, plant and equipment with an aggregate net book value amounted to approximately HK\$88 million as a result of the disposal of the Group's toy manufacturing and distribution business.

Details of these and other movements during the year in property, plant and equipment of the Group and the Company are set out in note 12 to the financial statements.

DIRECTORS

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

Executive directors:

Choo Yeow Ming (<i>Executive Chairman</i>)	(appointed on 21 March 2003)
Chan Lay Hoon	(appointed on 28 January 2002)
Foo Yong Yow	(appointed on 17 January 2002)
Ma Wai Man, Catherine	(appointed on 21 March 2003)
Chow Hou Man	(appointed on 21 March 2003)
Ma Tak Lun	(resigned on 23 January 2003)
Chan Sheung Wai	(resigned on 21 March 2003)

Independent non-executive directors:

Ho Tat Kin	(appointed on 5 March 2002)
Lam Lee G.	(appointed on 5 March 2002)
Au-Yong Shong, Samuel	(resigned on 5 March 2002)
Heng Kwoo Seng	(resigned on 5 March 2002)

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In accordance with clauses 99 and 102(B) of the Company's Bye-laws, Chan Lay Hoon and Foo Yong Yow retire at the forthcoming annual general meeting by rotation, and, Choo Yeow Ming, Ma Wai Man, Catherine and Chow Hou Man, who were newly appointed during the period from the last annual general meeting to the date of this report, retire at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election.

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

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2002, the interests of the directors, the chief executive and their associates in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance, or as otherwise notified to the Company and to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

<u>Name of director</u>	<u>Type of interest</u>	<u>Number of ordinary shares held</u>
Chan Sheung Wai	Corporate interest (<i>Note</i>)	60,000,000
Ma Tak Lun	Personal interest	380,000

Note: These shares of the Company are held by MCC814 (Holdings) Limited, a company which is wholly-owned by Mr. Chan Sheung Wai. Accordingly, Mr. Chan Sheung Wai is therefore deemed to have an interest in 60,000,000 shares in the Company. Mr. Chan Sheung Wai and Mr. Ma Tak Lun resigned respectively on 21 March 2003 and 23 January 2003.

Save as disclosed above and other than a nominee share in a subsidiary held by a director of the Company in trust for the Group, at 31 December 2002, none of the directors, the chief executive nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 24 to the financial statements.

The following table discloses movements in the Company's share options during the year:

Category	Exercise price	Outstanding at beginning of the year	Exercised during the year	Outstanding at end of the year
Employees	HK\$0.17 per share	<u>60,000</u>	<u>(60,000)</u>	<u>—</u>

As at the date of this report, the total number of shares available for issue under the Company's share option scheme is 55,876,000, representing 7.8% of the shares of the Company in issue at that date.

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 neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 34 to the financial statements, no contracts of significance to which the 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 the end of the year or at any time during the year.

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CONNECTED TRANSACTIONS

As announced on 3 October 2002, Bestcorp Investments Inc., a wholly-owned subsidiary of the Company, entered into agreement to acquire the entire interests in Crystal Wines & Spirits Pte Ltd. ("CWS") from the vendors including Lee Boon Par, Lee Chiang Choon Derek, Tan Wee Han, Tan Wee Tuck, Ebberston Associates Limited and CWS Investments Limited ("CWSI") for an aggregate cash consideration of approximately HK\$2 million. As CWSI held 28.69% shareholding in CWS and it is wholly owned by Mr. Lim Eng Hock, a substantial shareholder of the Company holding 28.08% equity interest of the Company through its interest in Charm Management Limited, such transaction constituted a connected transaction of the Company under the Listing Rules.

As announced on 29 October 2002, the Group increased its interest in Masindo to 89.7% and at the same time Masindo, entered into agreement to further acquire from Brewerkz Investments Singapore Pte Ltd. ("BI") and BT Asia Pacific Ltd. ("BT") their aggregate 49% interests in Brewerkz for a total consideration of approximately HK\$8.7 million. As BI and BT are substantial shareholders of Brewerkz, in which Masindo previously held 51% interest, the transaction constituted a connected transaction under the Listing Rules.

The independent non-executive directors confirm that the transactions were entered into by the Company in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

<u>Name of shareholder</u>	<u>Number of ordinary shares held</u>	<u>Approximate percentage of issued share capital</u>
Charm Management Limited	200,000,000	28.08%
Lim Eng Hock	200,000,000 (Note)	28.08%

Note: As Charm Management Limited is wholly-owned by Mr. Lim Eng Hock, Mr. Lim Eng Hock is deemed by the SDI Ordinance to be interested in the shares of the Company. Subsequent to 31 December 2002, and as announced on 24 March 2003, Mr. Lim Eng Hock disposed of all his shares in Charm Management Limited to Capital Strategic Investment (B.V.I.) Limited, a company wholly and beneficially owned by Capital Strategic Investment Limited.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 December 2002.

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PRE-EMPTIVE RIGHTS

There is no provision 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, SALE OR REDEMPTION OF LISTED SHARES

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

CORPORATE GOVERNANCE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the Independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-law.

AUDITORS

Save as the period from 1 January 2001 to 31 December 2001, for which Messrs. Charles Chan, Ip & Fung CPA Ltd. acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu acted as the auditors of the Company for the past three years.

During the year, Messrs. Charles Chan, Ip & Fung CPA Ltd. resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company to fill in the casual vacancy. A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Choo Yeow Ming

EXECUTIVE CHAIRMAN

Hong Kong, 24 April 2003