

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. The principal activities of the Company's principal subsidiaries and associates are set out in notes 32 and 33 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 11.

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

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 22 to the financial statements.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2002. The resulting net deficit arising on revaluation amounting to approximately HK\$26.9 million has been charged to the consolidated income statement.

Details of this and other movements during the year in the investment properties of the Group are set out in note 12 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's hotel property and furnished suites were revalued at 31st December, 2002. The net deficit arising on revaluation of these properties amounting to HK\$11 million has been debited directly against the other property revaluation reserve.

During the year, construction of the furnished suites in Shanghai with a carrying value of approximately HK\$91 million was completed.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 13 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2002 are set out on page 45 of the Annual Report.

SHARE CAPITAL AND WARRANTS

During the year, the Company issued a total of 1,481,736,051 shares for an aggregate consideration of HK\$88,904,164 pursuant to the conversion of convertible bonds.

Details of this and other movements during the year in the share capital of the Company are set out in note 20 to the financial statements.

Details of the warrants of the Company are set out in note 21 to the financial statements.

BORROWINGS

Bank loans and other borrowings repayable within one year are classified as current liabilities.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

DIRECTORS

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

Executive directors

Mr. William Cheng Kai Man

Mr. Jim Wong Tin Yue

Mr. Albert Hui Wing Ho

Non-executive directors

Ms. Mabel Lui Fung Mei Yee*

Mr. Vincent Kwok Chi Sun*

Mr. David Cheng Kai Ho

* *independent non-executive directors*

In accordance with the provisions of the Company's Articles of Association, Mr. Jim Wong Tin Yue and Mr. David Cheng Kai Ho, shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' Report (Continued)

No director 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).

The term of office for each of the non-executive directors is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% in aggregate of the Group's total purchases and sales respectively.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 31st December, 2002, the beneficial interests of the directors and their associates in the issued ordinary shares and warrants of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("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 The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

	Corporate interests
Shares of HK\$0.01 each in the Company	
– William Cheng Kai Man	3,154,032,533 Shares (Note 1)
Warrants of the Company	
– William Cheng Kai Man	629,361,166 units (Note 2)

Notes:

- At 31st December, 2002, Trillion Resources Limited, a company controlled by Mr. William Cheng Kai Man, beneficially held 153,017,525 ordinary shares in Shun Ho Resources Holdings Limited ("Shun Ho Resources") and Shun Ho Group Limited, a subsidiary of Trillion Resources Limited, beneficially held 988,600 ordinary shares in Shun Ho Resources, representing approximately 50.3% and 0.3% of its issued share capital respectively. Shun Ho Resources and its subsidiaries in turn beneficially held 266,889,172 ordinary shares in Shun Ho Technology Holdings Limited ("Shun Ho Technology"), representing approximately 49.7% of its issued share capital. As at that date, Shun Ho Technology and its subsidiaries beneficially held 3,154,032,533 ordinary shares in the Company, representing 65.2% of its issued share capital of the Company. Therefore, Mr. William Cheng Kai Man was deemed to have interests in the ordinary shares of the Company.

- Shun Ho Technology together with its subsidiaries beneficially held 629,361,166 units of warrants of the Company, representing approximately 97.6% of the total units of warrants outstanding at 31st December, 2002.

At 31st December, 2002, a subsidiary of the Company beneficially held a total of 62,602,700 and 83,739,510 ordinary shares in Shun Ho Resources and Shun Ho Technology respectively, representing approximately 20.6% and 15.6% interests in their issued share capital respectively.

SHARE OPTIONS

Particulars of the options to subscribe for shares in the Company are set out in note 29 to the financial statements.

The following table discloses the outstanding share options at the beginning and end of the year:

Name of director	Number of shares issuable under options granted	Date of grant	Exercisable period		Exercise price per share HK\$
			From	To	
William Cheng Kai Man	43,799,524*	29.6.1994	30.6.1994	29.6.2004	0.20

* These share options were cancelled on 25th March, 2003.

No share option was exercised, cancelled or lapsed during the year.

Other than as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, at 31st December, 2002, none of the directors or their associates, had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or their associates or 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 during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or 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.

Directors' Report (Continued)

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

During the year, the Group had transactions with certain related parties, details of which are set out in note 31 to the financial statements. Save as disclosed therein:

- (i) no contracts of significance subsisted at any time during the year to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Amongst the directors who held office during the year, Mr. William Cheng Kai Man was interested directly or indirectly in the share capital of Shun Ho Resources, Shun Ho Technology and the Company. Mr. Jim Wong Tin Yue and Mr. Albert Hui Wing Ho were interested directly in the share capital of Shun Ho Resources.

In the opinion of the directors not having an interest in those transactions, the transactions were carried out in the ordinary course of the Group's business on normal commercial terms.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS

At 31st 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:

Name	Number of shares
Shun Ho Technology Holdings Limited	3,154,032,533
Shun Ho Resources Holdings Limited (Note 1)	3,154,032,533
Trillion Resources Limited (Note 1)	3,154,032,533
Madam Liza Lee Pui Ling (Note 2)	3,154,032,533

Notes:

1. Shun Ho Resources Holdings Limited and Trillion Resources Limited were taken to be interested in 3,154,032,533 shares in the Company by virtue of their direct and indirect interests in Shun Ho Technology Holdings Limited in accordance with Section 8(2) of the SDI Ordinance.
2. Madam Liza Lee Pui Ling, the spouse of Mr. William Cheng Kai Man who is a director of the Company, was taken to be interested in 3,154,032,533 shares in the Company in accordance with Section 8(1) of the SDI Ordinance.

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2002 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

William CHENG Kai Man
Chairman

Hong Kong, 15th April, 2003