

Report of the Directors

The directors present their report together with the audited accounts for the year ended 31st December, 2002.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 26 to the accounts.

An analysis of the Group's turnover, revenue and segment information for the year by geographical segments is set out in Note 2 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 26.

The directors have declared an interim dividend of 2.8 Hong Kong cents per ordinary share, totalling HK\$10,080,000, which was paid on 19th September, 2002.

The directors recommend the payment of a final dividend of 2 Hong Kong cents per ordinary share, totalling HK\$7,201,000.

Reserves

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

As at 31st December, 2002, the Company had distributable reserves amounting to HK\$200,007,000 (2001: HK\$193,577,000), including contributed surplus of HK\$165,739,000 (2001: HK\$165,739,000) which is distributable subject to conditions as set out above.

Movements in the reserves of the Group and the Company during the year are set out in Note 21 to the accounts.

Donations

Charitable donations made by the Group during the year amounted to HK\$222,000.

Fixed assets

Details of the movements in fixed assets of the Group during the year are set out in Note 14 to the accounts.

Share capital

Details of the movements in the share capital of the Company are set out in Note 20 to the accounts.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in Note 26 to the accounts.

Bank loans and overdrafts

Particulars of bank loans and overdrafts of the Group are set out in Note 19 to the accounts.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6.

Purchase, sale or redemption of 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.

Share options

Under the terms of the share option scheme of the Company adopted on 23rd February, 2000 (the "Old Scheme"), the directors of the Company granted options to certain full-time employees (including executive directors) of the Company or its subsidiaries on 31st August, 2001 to subscribe for a total of 36,000,000 shares in the Company at HK\$0.906 per share. Although the Old Scheme was subsequently terminated and a new share option scheme (the "New Scheme") was adopted on 8th May, 2002, the provisions of the Old Scheme remain in force and all outstanding options granted prior to the said termination continue to be valid and exercisable in accordance therewith.

Details of the New Scheme are as follows:

(i) *Purpose*

The purpose of the New Scheme is to provide incentives to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-caliber employees and attract resources that are valuable to the Group.

(ii) *Qualifying participants*

Any person being an employee, director (including executive or non-executive director), consultant, representative, professional adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Group, and any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons.

(iii) *Maximum number of shares*

The total number of shares subject to the New Scheme must not when aggregated with any shares subject to any share option schemes exceed 30% of the shares in issue from time to time. The total number of shares available for issue under the New Scheme is 36,000,000 which is 10% of the issued share capital as at the date of the annual report.

(iv) *Maximum entitlement of each participant*

No qualifying participant shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 1% of the aggregate number of shares for the time being issued and issuable under the New Scheme.

(v) *Option period*

In respect of any particular option, such period commencing on the date of grant or such later date as the directors may decide and expiring on such date as the directors may determine, such period not to exceed 10 years from the date of grant.

(vi) *Acceptance of offer*

An offer of the grant of an option shall remain open for acceptance for a period of 30 days from the date on which the option is offered. An offer of the grant of the option shall be deemed to have been accepted when the duplicate offer document constituting acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration of the grant thereof is received by the Company.

(vii) *Subscription price*

The subscription price in respect of any particular option shall be such price as the directors may determine at the date of grant of the relevant option but shall not be less than whichever is the greater of

- (a) The closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant;
- (b) The average official closing price of the Company's shares as stated in the daily quotations sheets in the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) The nominal value of the Company's shares.

(viii) *The remaining life of the Scheme*

The directors shall be entitled at any time within 10 years commencing on 8th May, 2002 to offer the grant of an option to any qualifying participants.

No options have been granted under the New Scheme since its adoption and details of the share options granted under the Old Scheme and outstanding as at 31st December, 2002 are as follows:

	Options held at 1st January, 2002	Options granted during the year	Options exercised during the year <i>(Note 1)</i>	Options lapsed during the year	Options held at 31st December, 2002
Director Mr Rusli Hendrawan ("Mr Rusli")	8,000,000	–	–	–	8,000,000
Director Mr Lee Sheng Kuang, James ("Mr Lee")	8,000,000	–	–	–	8,000,000
Director Mr Oey Tjie Ho ("Mr Oey")	2,000,000	–	–	–	2,000,000
Director Mr Tang Chak Lam, Charlie ("Mr Tang")	2,000,000	–	–	–	2,000,000
Continuous contract employees	16,000,000	–	(34,000)	(500,000)	15,466,000

Notes:

1. Weighted average closing price of shares immediately before the date on which the options were exercised by the continuous contract employee was HK\$1.28.
2. All the above outstanding options were granted on 31st August, 2001 and exercisable from 1st September, 2002 to 31st August, 2005 at an exercise price of HK\$0.906.
3. No options were cancelled during the year.

Report of the Directors

Directors

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

Mr Rusli Hendrawan (*Chairman*)

Mr Lee Sheng Kuang, James (*Managing Director*)

Mr Oey Tjie Ho

Mr Tang Chak Lam, Charlie

Mr Lam Chi Kuen, Frank*

Mr Lau Siu Ki, Kevin*

(appointed on 20th February, 2002)

Mr Kwok Lam Kwong, Larry*

(appointed on 15th July, 2002)

Ms Ho Main Wai, Amy*

(resigned on 20th February, 2002)

Mr Yu Hon To, David*

(resigned on 20th February, 2002)

* *Independent Non-Executive Director*

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr Kwok Lam Kwong, Larry shall retire from office at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Bye-law 87(1) of the Company's Bye-laws, Mr Tang Chak Lam, Charlie shall retire from office by rotation and, being eligible, offers himself for re-election.

Biographical details of directors

Biographical details of directors are set out on page 15.

Directors' service contracts

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing 1st January, 2000, which may be terminated by either party thereto giving to the other party six months' prior notice in writing.

Save as disclosed above, 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 statutory compensation.

Directors' interests in contracts

No contracts of significance in relation to the Group's business 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.

Connected transactions

On 13th September, 2001, a management services agreement was entered into between Carry Wealth Limited (“CWL”) and Shinning Century Limited (“SCL”) pursuant to which, CWL provides SCL with management services in Hong Kong. The initial term of the Agreement is one year commencing on 13th September, 2001, which is automatically renewed annually unless terminated by either party.

SCL is owned as to 70% by the Company indirectly and 30% by Ms Chen Mei Chuan, Jennifer. Ms Chen is also the managing director of SCL. The ongoing transactions between CWL and SCL as aforesaid constitute connected transactions for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The brief details of the said connected transactions are disclosed herein in accordance with a waiver previously granted by the Listing Division of the Stock Exchange. In the opinion of the independent non-executive directors of the Company, these transactions were carried out:

- (a) (i) in the ordinary course of business of CWL and SCL;
- (ii) on normal commercial terms; and
- (iii) fair and reasonable so far as the shareholders are concerned.
- (b) the aggregate amount of the management fees charged by CWL for the year ended 31st December, 2002 amounted to HK\$4,093,000 did not exceed 3% of the audited consolidated net tangible assets value of the Group during the year.

The auditors of the Company have reviewed the transactions between CWL and SCL and confirmed to the board of directors of the Company in writing that in relation to such transactions occurring during the year ended 31st December, 2002, (i) the transactions have been carried out in accordance with the terms of the relevant agreement; and (ii) the aggregate management fees received by CWL from SCL have not exceeded 3% of the Group’s audited consolidated net tangible assets value for that year.

Directors' interests in equity or debt securities

As at 31st December, 2002, the interests of the directors and chief executive of the Company in the equity or debt securities of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register of directors' interests kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

The Company

Name of director	Number of ordinary shares					Total interests	Number of share options held
	Corporate interests <i>(Note)</i>	Personal interests	Family interests	Other interests	Personal interests		
Mr Rusli	162,000,000	–	–	–	162,000,000	8,000,000	
Mr Lee	162,000,000	–	–	–	162,000,000	8,000,000	
Mr Oey	162,000,000	–	–	–	162,000,000	2,000,000	
Mr Tang	–	–	–	–	–	2,000,000	

Note:

These shares are held by Respected International Limited ("RIL"), which is ultimately owned as to 37.50%, 45.83% and 16.67%, by Mr Rusli, Mr Lee and Mr Oey respectively through their respective wholly-owned companies.

In addition, Mr Rusli, Mr Lee and Mr Oey are deemed to be interested in the share capital of all of the subsidiary and associated corporations of the Company by virtue of their interests in the Company.

The above share options were granted to directors under the Old Scheme as defined with details set out in the section headed "Share options" above. None of the share options has been exercised.

Save as disclosed above, as at 31st December, 2002, none of the directors or chief executive of the Company were beneficially interested in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be recorded in the register of directors' interests kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares or debt securities

Under the terms of the New Scheme, the directors of the Company are authorised to grant options to employees (including executive directors) of the Company or its subsidiaries to subscribe for shares in the Company at prices to be determined in accordance with the terms of the New Scheme.

Save as disclosed above, at no time during the year, the directors or chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for equity or debt securities of the Company or its associated corporations (within the meaning of the SDI Ordinance).

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

Substantial shareholders' interests in equity securities

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, shows that as at 31st December, 2002, the Company had been notified of the following shareholders' interests, being 10% or more of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares	Percentage of issued share capital
RIL (<i>Note 1</i>)	162,000,000	45.00
Greatwood Investment Trading Limited (<i>Note 2</i>)	84,900,000	23.58
Mr Susanto (<i>Note 2</i>)	84,900,000	23.58

Notes:

1. RIL is ultimately owned by Mr Rusli and Mr Lee as to 37.50% and 45.83% respectively. Accordingly, the effective voting power of Mr Rusli and Mr Lee in the Company are deemed to be 16.88% and 20.62% respectively. These interests are the same interests of Mr Rusli and Mr Lee as disclosed in the section headed "Directors' interests in equity or debt securities".
2. These shares are held by Greatwood Investment Trading Limited which is wholly-owned by Mr Susanto.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Report of the Directors

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	17%
– five largest suppliers combined	39%
Sales	
– the largest customer	61%
– five largest customers combined	88%

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above at any time during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda.

Audit committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the audit and of internal controls and risk evaluation. The Committee comprises independent non-executive directors, namely Mr Lam Chi Kuen, Frank, Mr Lau Siu Ki, Kevin, Mr Kwok Lam Kwong, Larry, Ms Ho Main Wai, Amy and Mr Yu Hon To, David during the year. Ms Ho Main Wai, Amy and Mr Yu Hon To, David resigned on 20th February, 2002 and were replaced by Mr Lau Siu Ki, Kevin on the same date. Mr Kwok Lam Kwong, Larry was appointed on 15th July, 2002.

Compliance with Code of Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period except that the independent non-executive directors are not appointed for a specific term. The independent non-executive directors are subject to retirement by rotation in accordance with the provisions of the Company's Bye-laws. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

Auditors

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

On behalf of the Board
Lee Sheng Kuang, James
Managing Director

Hong Kong, 20th March, 2003