

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

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the “Group”) are investment holding. During the year, the Group has been engaged principally in the investments in listed and unlisted companies.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 15.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 16 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 10 to the accounts.

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.

DIRECTORS

Mr. NGAN Man Kit	
Dr. PANG Shuen Wai, Nichols	(appointed on 1st September 2002)
Ms. AU Shuk Yee, Sue	(appointed on 25th September 2002)
Mr. WONG Man Ho, William	(appointed on 15th November 2002)
Mr. HO Wai Ip	(resigned on 11th October 2002)
Mr. WU Ting Yat, Timmy	(resigned on 1st October 2002)
Mr. LO Chun Wing, Albert	(retired on 24th May 2002)
Mr. WONG Lit Chor, Alexis	(appointed on 2nd January 2002 and resigned on 1st September 2002)
Mr. NG Wai Hung [#]	
Mr. LAM Ping Cheung [#]	(appointed on 1st September 2002)
Mr. SUN Sai Man, Patrick [#]	(resigned on 21st February 2003)
Mr. FOK Kwong Hang, Terry [#]	(resigned on 12th December 2002)
Mr. ZENG Wei [#]	(resigned on 1st October 2002)

[#] *Independent non-executive directors*

In accordance with Article 157 of the Company's Articles of Association, Mr. NGAN Man Kit and Mr. NG Wai Hung will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 123 of the Company's Articles of Association, Dr. PANG Shuen Wai, Nichols, Ms. AU Shuk Yee, Sue, Mr. WONG Man Ho, William and Mr. LAM Ping Cheung will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

A service contract with Mr. NGAN Man Kit for a period of 3 years starting from 27th October 1999 expired during the year and has been replaced by an employment contract.

Apart from the aforesaid, 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 within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Pursuant to an investment management agreement dated 6th October 1999 (the "Investment Management Agreement") between the Company and Alpha Asset Investments Limited ("Alpha"), Alpha has agreed to provide the Group with investment management and general administrative services. Under this arrangement, Alpha is entitled to a monthly management fee payable in advance at 2.5% per annum of the net asset value of the Group at the end of preceding month on the basis of actual number of days in the relevant calendar month over a year of 365 days. In addition, Alpha is also entitled to 15% of the surplus (the "Bonus") in the net asset value of the Group over a financial year or period. The aggregate of management fee and the Bonus paid/payable to Alpha for the year amounted to HK\$2,732,439.

Mr. NGAN Man Kit, an executive director of the Company, and Mr. HO Wai Ip, a former executive director of the Company, have 60% and 4% indirect equity interests in Alpha respectively. Accordingly, the said arrangements with Alpha constitute a connected transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and also related party transactions under the accounting standards issued by the Hong Kong Society of Accountants, as disclosed in note 19 to the accounts.

In accordance with the requirements of the waiver granted by The Stock Exchange of Hong Kong Limited, the directors of the Company confirm that:

- (a) the above transaction has been entered into in the ordinary and usual course of the business of the Company and is conducted in accordance with the terms of the Investment Management Agreement;
- (b) the above transaction has been entered into on normal commercial terms and on arm's length basis; and
- (c) the above transaction has been entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

During the year, Uni-Alpha Securities Limited ("UASL") provides brokerage services to the Company and the brokerage fee paid/payable to UASL amounted to HK\$364,430. In addition, the Company has also sold certain fixed assets to Alpha and Uni-Alpha Management Company Limited ("UAM") for a cash consideration of HK\$358,254 based on the carry value of those fixed assets. Mr. NGAN Man Kit and Mr. HO Wai Ip have 60% and 4% indirect equity interests respectively in each of UASL, Alpha and UAM.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

(Continued)

Apart from the above, no other contracts of significance in relation to the Company's business to which the Company or 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.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

(i) Shares

At 31st December 2002, the interests of the directors in the shares 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 under the SDI Ordinance or as notified to the Company were as follows:

	Nature of interest	Number of ordinary shares
Mr. NGAN Man Kit	Personal	1,000,004
Mr. WONG Man Ho, William	Personal	300,000

(ii) Options

Under a share option scheme (the "Scheme") approved by the shareholders of the Company, the directors of the Company may, at their discretion, invite employees, including executive directors of the Company, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

Details of options granted to the executive directors of the Company pursuant to the Scheme are as follows:

Name of director	Options held at 1st January 2002	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31st December 2002	Exercise price HK\$	Grant date
Mr. NGAN Man Kit	4,000,000	-	-	-	4,000,000	0.33	15th February 2000
Mr. HO Wai Ip	4,000,000	-	-	4,000,000	-	0.33	15th February 2000
Mr. WU Ting Yat, Timmy	4,000,000	-	-	4,000,000	-	0.33	15th February 2000

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(Continued)*

(ii) Options *(Continued)*

These share options are exercisable from 15th February 2000 to 14th February 2010. None of the above options have been exercised during the year.

Apart from the aforesaid, at no time during the year was the Company or 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.

The Company did not grant any other right to subscribe for shares in the Company to any directors or chief executives of the Company or to their spouses or children under 18 years of age during the year.

SUBSTANTIAL SHAREHOLDERS

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 substantial shareholders' interests, being 10% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares
Uni Forward Investments Limited	59,988,000

MANAGEMENT CONTRACTS

Apart from the Investment Management Agreement, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules except that non-executive directors are not appointed for a specified term as recommended in Paragraph 7 of the Code of Best Practice. According to the Articles of Association of the Company, non-executive directors of the Company will retire by rotation and their appointment will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objective of the Code of Best Practice.

CHANGE OF CUSTODIAN

On 13th December 2002, the Company has entered into an agreement with Standard Chartered Bank (“Custodian Agreement”), under which Standard Chartered Bank (the “Custodian”) agreed to act as custodian in relation to all investments which the Company may from time to time deposit with the Custodian.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

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 audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee of the Company comprises the two independent non-executive directors, namely Messrs. LAM Ping Cheung and NG Wai Hung. Two meetings were held during the current financial year.

AUDITORS

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

On behalf of the Board

NGAN Man Kit

Chairman

Hong Kong, 28th March 2003