

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

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise the provision of banking, insurance and investment services which are set out in greater detail in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31st December, 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 90.

An interim dividend of HK1.2 cents per share, totalling approximately HK\$12,696,000, was paid during the year.

The directors recommend the payment of a final dividend of HK2.3 cents per ordinary share, which will be paid in cash, in respect of the year ended 31st December, 2002 and will be payable on 6th June, 2003 to shareholders whose names appear on the register of members of the Company on 30th May, 2003. This recommendation has been incorporated in the financial statements as an allocation of the contributed surplus within the shareholders' equity section in the balance sheet. Further details of this accounting treatment are set out in note 3 to the financial statements.

Fixed assets and investment properties

Details of movements in the fixed assets and investment properties of the Company and of the Group during the year are set out in note 24 to the financial statements.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 26 to the financial statements.

Report of the Directors (cont'd)

Five year financial summary

The results, assets, liabilities and minority interests of the Group for the last five years, as extracted from the published audited financial statements and restated as appropriate, are summarised below:

Results

| | 2002 HK\$'000 | Year ended 31st December, | | | |
|---|------------------|---------------------------|------------------|------------------|------------------|
| | | 2001 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 | 1998 HK\$'000 |
| Turnover | 878,462 | 853,517 | 853,359 | 740,577 | 763,246 |
| Net profit from ordinary activities attributable to shareholders | 43,309 | 30,108 | 175,119 | 148,073 | 81,018 |

Assets, liabilities and minority interests

| | 2002 HK\$'000 | 31st December, | | | |
|--------------------|------------------|------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 2001 HK\$'000 | 2000 HK\$'000 (Restated) | 1999 HK\$'000 (Restated) | 1998 HK\$'000 (Restated) |
| Total assets | 14,732,142 | 15,129,571 | 15,777,039 | 14,922,212 | 12,582,295 |
| Total liabilities | (11,598,344) | (12,008,609) | (12,639,963) | (11,932,979) | (9,723,317) |
| Minority interests | (5,238) | (10,266) | (10,861) | (3,839) | (2,169) |
| | 3,128,560 | 3,110,696 | 3,126,215 | 2,985,394 | 2,856,809 |

Major customers

During the year, the Group derived less than 30% of its total income from its five largest customers.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors owned more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers.

Major suppliers

The Group's major subsidiaries are banking and insurance companies, which are exempted from disclosing particulars of suppliers. Accordingly, no such information is disclosed.

Directors

The directors of the Company during the year were:

Robin Y.H. Chan, GBS, LL.D., J.P. *

Lau Ki-Chit *

The Hon. Bernard Charnwut Chan *

Chatri Sophonpanich

Tan Sri Frank W.K. Tsao

Dr. Leo Tung-Hai Lee, GBS, LL.D., J.P. **

Ng Song-Hin

Dr. The Hon. Philip Y.H. Wong **

Tan Eng-Heng, B.B.M.(L)

Choedchu Sophonpanich

Kenneth Chi-Lam Siao **

Finley Norman Middleton

Ang Tang-Chor

Gen Tomii

(appointed on 25th March, 2002)

Katsuya Kimura

(appointed on 1st April, 2002)

Hiromichi Ishida

(resigned on 25th March, 2002)

Koji Fukuda

(resigned on 1st April, 2002)

Tan Sri Lim Goh-Tong, P.S.M., S.P.M.P.,

S.I.M.P., D.K.M.P., D.J.M.K., D.P.M.S., J.P.

(resigned on 27th May, 2002)

Datuk Lim Chee-Wah

(resigned as alternate director to

Tan Sri Lim Goh-Tong on 27th May, 2002)

* *Executive director*

** *Independent non-executive director*

In accordance with bye-law 87(2) of the Company, The Hon. Bernard Charnwut Chan, Ng Song-Hin, Kenneth Chi-Lam Siao and Finley Norman Middleton will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Directors' service contracts

None of the directors 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 shares

As at 31st December, 2002, the interests of the directors, chief executives and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

(a) Interests in the Company

| Name of director | Personal interests | Number of ordinary shares held and nature of interest | | Total |
|--------------------------------|--------------------|---|---------------------|-------------|
| | | Family interests | Corporate interests | |
| Robin Y.H. Chan | 12,505,264 | 991,883 | 336,369,441 # | 349,866,588 |
| Lau Ki-Chit | 21,080 | – | – | 21,080 |
| The Hon. Bernard Charnwut Chan | 2,335,089 | 1,038,432 | – | 3,373,521 |
| Chatri Sophonpanich | 6,464,775 | – | – | 6,464,775 |
| Tan Sri Frank W.K. Tsao | – | – | 25,301,619 # | 25,301,619 |
| Ng Song-Hin | – | – | 15,139,827 # | 15,139,827 |
| Tan Eng-Heng | 346,360 | – | – | 346,360 |
| Choedchu Sophonpanich | 791,496 | – | – | 791,496 |

The shareholdings classified as corporate interests in which the directors concerned were taken to be interested, as stated above, were the interests in corporations where these directors were respectively either entitled to exercise (or taken under the SDI Ordinance to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

Directors' interests in shares (cont'd)

(b) Interests in associated corporations

1. Subsidiary

Mr. Robin Y.H. Chan held corporate interests in 50 shares, representing 25% of the issued shares of Mirador Services Limited, a 70%-owned subsidiary of the Company.

2. Associate

Mr. Lau Ki-Chit beneficially owns 625 shares, representing 6.25% of the issued shares of Great Champion Holdings Limited, a 31%-owned associate of the Group.

In addition to the above, Mr. Robin Y.H. Chan has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors, chief executives or their associates had any interests in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Directors' rights to acquire shares

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

As at 31st December, 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that the following shareholder of the Company was interested in 10% or more of the issued share capital of the Company.

| Name | Number of shares held |
|-------------------------|-----------------------|
| Cosmos Investments Inc. | 124,132,600* |

* *These shares have been included in the corporate interest disclosure of Mr. Robin Y.H. Chan in the section headed "Directors' interests in shares" above.*

Save as disclosed above, so far as the directors of the Company are aware, there were no other persons who were, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company as at 31st December, 2002.

Connected transactions

On 6th May, 2002, Asia Investment Services Limited ("AISL"), a wholly-owned subsidiary of the Company, entered into two agreements with each of Skokie Limited and Kannach Limited (collectively the "Purchasers") in respect of the disposal of its entire interests in two subsidiaries, Asia Financial Capital Limited ("AFCL") and Asia Financial International Limited ("AFIL"), to the Purchasers for cash considerations of HK\$17.9 million and HK\$1 million, respectively. The Purchasers are beneficially owned and controlled by Ms. Kan Lai Kuen, Alice, who was then a director of AISL and AFIL, the Managing Director of AFCL and a substantial shareholder of both AFCL and AFIL. Further details of the terms and conditions of the transactions are set out in the Company's announcement dated 7th May, 2002.

Directors' interests in contracts

No director had a beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any person during the year ended 31st December, 2002.

Director's interests in competing businesses

During the year and up to the date of this report, the following directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), as set out below:

| Name of director | Name of entity of the businesses which are considered to compete or likely to compete with the businesses of the Group | Description of the businesses of the entity which are considered to compete or likely to compete with the businesses of the Group | Nature of interest of the director in the entity |
|---------------------|--|---|--|
| Mr. Robin Y.H. Chan | Liu Chong Hing Bank Ltd. | Banking | Non-executive director |
| Mr. Lau Ki-Chit | The People's Insurance Company of China (Hong Kong) Ltd. | General Insurer | Director |
| | Summit Insurance (Asia) Ltd. | General Insurer | Non-executive director |
| | UOB Insurance (HK) Ltd. | General Insurer | Director |

The involvements of Mr. Robin Y.H. Chan and Mr. Lau Ki-Chit in the management of the above companies of which they are directors are not significant.

As the board of directors of the Company is independent from the board of directors of these companies, the Group is therefore capable of carrying on its businesses independently of, and at an arm's length from, the businesses of these companies.

Brief biographical details in respect of directors and senior management staff

Executive directors:

Robin Y.H. Chan, GBS, LL.D., J.P., aged 70, is the chairman and managing director of the Company. He has been working for the Group for 47 years. He is the chairman and chief executive officer of Asia Commercial Bank, the chairman of Asia Insurance and a director of certain subsidiaries of the Group. Mr. Chan is also a director of Cosmos Investments Inc., a substantial shareholder of the Company. Mr. Chan was awarded the Order of Commander (Third Class) of the Most Exalted Order of the White Elephant by His Majesty, the King of Thailand and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. He is a deputy to the Chinese National People's Congress and the Ex-officio Life Hon. Chairman of The Chinese General Chamber of Commerce, Hong Kong. He is also a director of and an adviser to numerous other companies and has extensive experience in the banking industry. He is the brother of Mr. Chatri Sophonpanich and Mr. Choedchu Sophonpanich, who are also directors of the Company.

Lau Ki-Chit, aged 72, is an executive director of the Company. Mr. Lau has been working for the Group for 44 years and is the chairman of the board of executive directors of Asia Insurance. He joined Asia Insurance in 1959. With over 40 years' experience in the insurance industry, he is primarily responsible for the overall policy of the Asia Insurance Group. Mr. Lau holds an engineering degree in aeronautics. He is also a director of Asia Commercial Bank and several other subsidiaries of the Group. In addition, Mr. Lau holds directorships in various external companies, including Univest Securities Ltd. As to community services, Mr. Lau sits on the board of directors of the HK Tuberculosis, Chest & Heart Diseases Association and is a member of the Hospital Governing Committee of Ruttonjee Hospital and Tang Shiu Kin Hospital. He is the chairman of Chiu Chow Association Building (Property Holdings) Ltd., and is the honourable chairman of the Chiu Chow Chamber of Commerce. Mr. Lau is also the school manager of Chiu Chow Association Secondary School and has been a director of the Tung Wah Group of Hospitals, the president of the Rotary Club of Hong Kong Island West and has served as a member in a number of social service organisations.

Brief biographical details in respect of directors and senior management staff (cont'd)

Executive directors (cont'd):

The Hon. Bernard Charnwut Chan, aged 38, is an executive director and deputy managing director of the Company. Mr. Chan has been working for the Group for 13 years. He is the youngest son of Mr. Robin Y.H. Chan, the chairman and managing director of the Company. Graduated from the Pomona College in California, U.S.A., he holds the positions of executive director of Asia Insurance and Asia Commercial Bank. In addition to directorships in many other subsidiaries of the Group, he also sits on the boards of City e-Solutions Ltd., Peaktop International Holdings Ltd., Pioneer Global Group Ltd., Yau Lee Holdings Ltd. and Bank Consortium Trust Co. Ltd. He has been appointed as a director of The Hong Kong Mortgage Corporation Ltd. and a council member of Lingnan University. He is also a member of the Mandatory Provident Fund Schemes Advisory Committee, the Securities & Futures Commission Process Review Panel, the Business Advisory Group, the Hong Kong Sports Development Board and the Fight Crime Committee. In addition, he serves as the chairperson of The Hong Kong Council of Social Service, the chairman of the Hong Kong-Thailand Business Council and the Standing Committee on Disciplined Services Salaries & Conditions of Service, vice chairperson of the Community Investment and Inclusion Fund Committee, a councillor of the Legislative Council of the Hong Kong Special Administrative Region and a committee member of the Chinese People's Political Consultative Committee of the Guangxi Zhuang Autonomous Region in China.

Non-executive directors:

Chatri Sophonpanich, aged 69, has been a director of the Company since 1997 and is currently the chairman of Bangkok Bank Public Company Ltd. He received his Honorary Degree (Honoris Causa) of Doctor of Law from Pepperdine University, Malibu, California, U.S.A. in 1983 and a Honorary Degree (Honoris Causa) of Business Management from De La Salle University, Manila, the Philippines in 1987. He has won several distinctions in the business area, including being appointed chairman of Asean Banking Council from 1987 to 1989, chairman of the Thai Bankers Association from 1986 to 1988, chairman of the Asian-Pacific Bankers Club from 1993 to 1994, a director of the International Monetary Conference in 1994, a member of the Executive Management Committee of the Association of Development and Industrial Bank of Asia in 1995, a member of the International Business Leaders' Advisory Council for the Mayor of Shanghai since 1996 and the chairman of the Thailand-U.S. Business Council since 1997. He has been awarded many royal decorations and medals, such as Commander (Third Class) of the Most Exalted Order of the White Elephant in 1978, Knight Grand Cross (First Class) of the Most Exalted Order of the White Elephant in 1983, The King's Mahidol Memorial Award in 1992 and Knight Commander (Second Class) of the Most Illustrious Order of Chula Chom Klao in 1996.

Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors (cont'd):

Tan Sri Frank W.K. Tsao, aged 77, is a director of the Company and Asia Insurance. Tan Sri Tsao has been with the Group for 36 years. He is the founder of IMC Holdings Ltd. ("IMC") and has over 49 years' experience in the shipping industry. He has been the executive chairman of IMC since its formation in 1966 under the name of International Maritime Carriers (Holdings) Limited. From 1st January, 1995 to 5th May, 1997, Tan Sri Tsao assumed the position of honorary chairman of IMC. Currently, he serves as the chairman of the Maritime Committee of the Hong Kong Port & Maritime Board, the chairman of Suntec City Development Pte Ltd., Singapore and the chairman of Great Asia Industrial Development Co. Ltd. He is also a director of numerous other companies in Hong Kong and overseas.

Dr. Leo Tung-Hai Lee, GBS, LL.D, J.P., aged 81, has been a director of the Company since 1994. Dr. Lee is the chairman of the Tung Tai Group of Companies and an independent non-executive director of several other publicly listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organisations, including serving as an adviser of the Advisory Board of the Tung Wah Group of Hospitals, the chairman of the Association of Chairmen of the Tung Wah Group of Hospitals, the chairman of Friends of Hong Kong Association and the vice president of the China Overseas Friendship Association. Dr. Lee is a member of the Standing Committee of the National Committee of the Chinese People's Political Consultative Conference. He served as an adviser on Hong Kong Affairs to the Hong Kong & Macau Affairs Office of the State Council and the Xinhua News Agency, Hong Kong Branch, a member of the Preparatory Committee for the Hong Kong Special Administrative Region, and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include the Cavaliere di Gran Croce of Italy, the O.B.E. of Great Britain, the Chevalier Legion d'Honneur of France, the Commandeur de l'Ordre de Leopold II of Belgium and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors (cont'd):

Ng Song-Hin, aged 69, is a non-executive director of the Company and Asia Commercial Bank. He has been with the Group for 22 years. Mr. Ng was educated in Australia. He is also the chairman of Ng Song Choon & Brothers Sdn. Bhd., Kinta Realty Sdn. Bhd., KIB Development Sdn. Bhd. and Ikatan Bina Sdn. Bhd. in Malaysia. He is also the deputy chairman of Shenzhen Xengzhong Building Material Co., Ltd., and a director of Sagami Industries (M) Sdn. Bhd., Pen Apparel Sdn. Bhd. and Imperial Garments Sdn. Bhd. in Malaysia. He was the president of the Malaysian Textiles Manufacturers Association from 1979 to 1981.

Dr. The Hon. Philip Y.H. Wong, aged 64, is a director of the Company and Asia Insurance. He has been with the Group for 12 years. Dr. Wong attained his BSc., MSc., JD and PhD degrees in 1963, 1967, 1982 and 1987 respectively. He is the chairman and chief executive of Winco Paper Products Co. Ltd.. He is also a member of the Legislative Council of Hong Kong Special Administrative Region, a deputy to the Chinese National People's Congress, the vice chairman of the Chinese General Chamber of Commerce and a member of the Hong Kong Trade Development Council.

Tan Eng-Heng, B.B.M. (L), aged 72, is a director of the Company and Asia Insurance. Mr. Tan has been with the Group for 16 years. He is the chairman of The Asia Insurance Company Limited, Singapore and The Asia Life Assurance Society Limited ("Asia Life"), Singapore. He has been with Asia Life for 44 years and has extensive experience in insurance and related businesses. He is also a director of Bukit Sembawang Estates Limited, and Singapore Reinsurance Corporation Limited. Mr. Tan was the deputy chairman of the Police and Civil Defence Services Commission and a member of the Public Service Commission and Legal Service Commission until January 1998. He was awarded The Public Service Star and The Public Service Star (Bar) in 1984 and 1994, respectively, for his contribution to the Public Service Commission. Mr. Tan has a Bachelor of Civil Engineering degree from Union College and a Master of Science (Engineering) degree from the University of Michigan, U.S.A.

Choedchu Sophonpanich, aged 56, is a director of the Company, Asia Insurance and Asia Commercial Bank. He has been with the Group for 17 years. He is also a director of Cosmos Investments Inc., a substantial shareholder of the Company and the deputy chairman of Bangkok Life Assurance Company Limited. He graduated with a BSc (Econ) degree from the London School of Economics.

Kenneth Chi-Lam Siao, aged 55, has been a director of the Company since 1999. He is the founder and senior partner of Messrs. Siao, Wen and Leung, Solicitors and Notaries. He obtained his Bachelor of Commerce degree (B.Com) from McGill University, Canada and his Bachelor of Laws degree (LL.B) from King's College, the University of London. He is a Notary Public, Hong Kong and a China-Appointed Attesting Officer. Mr. Siao has extensive experience in banking, commercial, corporate and property matters. He currently acts as a legal adviser to a number of banking and financial institutions.

Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors (cont'd):

Finley Norman Middleton, aged 57, has been a director of the Company since October 1999. Currently, he is the executive vice-president of Asia/Pacific of CNA International, based in Singapore, and a director of MUI Continental of Malaysia. Previously, he was the senior vice president of Chubb Insurance Co. of Europe and Country Manager, Italy, overseeing the operation of the company in Central and Eastern Europe. He had prior assignments in Brazil, South Africa, Kenya, Italy, Denmark, The Netherlands, Austria and Singapore, in insurance claims, general management, strategic planning and underwriting with CIGNA and AIG. He received his undergraduate and postgraduate degrees from Hobart College, The American Graduate School for International Management and The New School for Social Research. He is also a past member of the International Business Advisory Council and American Graduate School of International Management. He is also a director of Asia Insurance.

Ang Tang-Chor, aged 55, has been appointed as a director of the Company since August 2001. Currently, he is the general manager of the International Division of Overseas-Chinese Banking Corporation Limited. He is also a director of Asia Commercial Bank.

Gen Tomii, aged 56, has been a non-executive director of the Company since March 2002. Mr. Tomii is currently the senior executive officer and general manager of UFJ Bank Limited, Singapore branch and has extensive experience in the banking business. He graduated from Hitotsubashi University with a degree in sociology. He is also a director of Asia Commercial Bank.

Katsuya Kimura, aged 58, had been a non-executive director of the Company since April 2002. Currently, he is the managing director of Aioi Insurance Company, Limited and has extensive experience in the insurance field.

Hiromichi Ishida, aged 51, had been a director of the Company since 1999. He joined UFJ Bank Limited (formerly known as The Tokai Bank, Limited) in 1974 and has been the general manager of the Hong Kong Branch and the Head of East Asia of UFJ Bank Limited. He graduated from the Faculty of Law of the Kyoto University. He is also a director of Asia Commercial Bank. He resigned as a director of the Company in March 2002.

Koji Fukuda, aged 66, had been appointed as a director of the Company since 2001. He has been the chairman of Aioi Insurance Company, Limited and has extensive experience in the insurance field. He resigned as a director of the Company in April 2002.

Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors (cont'd):

Tan Sri Lim Goh-Tong, P.S.M., S.P.M.P., S.I.M.P., D.K.M.P., D.J.M.K., D.P.M.S., J.P., aged 85, had been a director of the Company and Asia Commercial Bank. He had been with the Group for 23 years. Tan Sri Lim is a prominent businessman in Malaysia. He is the co-founder, chairman and chief executive of Genting Berhad, chairman and chief executive of Resorts World Bhd., and a director of Asiatic Development Berhad. Resorts World Bhd. and Asiatic Development Berhad are subsidiaries of Genting Berhad, all of which are listed on the Kuala Lumpur Stock Exchange. In addition, he sits on the board of a number of charitable and commercial organisations in Malaysia. Tan Sri Lim resigned as a director of the Company in May 2002.

Datuk Lim Chee-Wah, aged 48, had been an alternate director to Tan Sri Lim Goh-Tong since 1997. He is the youngest son of Tan Sri Lim Goh-Tong. He graduated from the London School of Economics with a degree in Economics. Datuk Lim is also the founder of the VXL Group which has built up core investments in the areas of property development and construction management, multimedia development and services. Datuk Lim was formerly the deputy managing director of Genting Berhad, joint managing director of Asiatic Development Berhad and a director of Genting International Limited. He was also an alternate director to Tan Sri Lim Goh-Tong, a director of Asia Commercial Bank. He resigned as an alternate director to Tan Sri Lim Goh-Tong in May 2002.

Employees and remuneration policy

The total number of employees of the Group is approximately 590 (2001: 650). Annual remuneration increments and promotions are determined through a performance-oriented appraisal system, with the basic pay structure being reviewed from time to time to reflect market trends. In addition to the basic salary, employees also receive an annual bonus based on both the Group's and their individual performance. Housing loans, and medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the year. The Group also offers various training and induction programmes to its employees.

Arrangements to purchase listed securities

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

Donations

During the year, the Group made charitable donations totalling HK\$192,000.

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.

Compliance with the Code of Best Practice

The Group complied fully with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules as recommended by The Stock Exchange of Hong Kong Limited during the year, except that the non-executive directors of the Company are not appointed for any specific terms of office as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

Audit committee

The Company has an audit committee in accordance with the Code as set out in Appendix 14 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The present members of the audit committee are Dr. The Hon. Philip Y.H. Wong, Kenneth Chi-Lam Siao and Ng Song-Hin.

Auditors

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

ON BEHALF OF THE BOARD

ROBIN Y.H. CHAN

Chairman

Hong Kong
28th March, 2003