

Directors' Report

The board of directors (the "Board") of the Company is pleased to present its report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 10 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and results by principal business activities and geographical area of operations for the year ended 31 December 2002 is set out in note 25 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 24.

The Board of the Company did not recommend the payment of any dividend for the year ended 31 December 2002 (2001: Nil).

GROUP FINANCIAL SUMMARY

A summary of results, assets and liabilities of the Group for the last five financial years is set out on pages 65 and 66.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 5% of the Group's total turnover for the year, and sales to the largest customer included therein amounted to approximately 3%.

The aggregate purchases attributable to the five largest suppliers accounted for approximately 48% of the Group's total purchases for the year, and purchases from the largest supplier included therein amounted to approximately 19%.

At any time during the year, neither the directors of the Company, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in the five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group during the year are set out in note 9 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 20 to the financial statements.

DIRECTORS

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

Executive directors:

Mr. Richard John Siemens (*Chairman*)
Mr. Kuldeep Saran
Mr. Derrick Francis Bulawa
Mr. Lim Shyang Guey

Non-executive directors:

Mr. William Bruce Hicks
Mr. Shane Frederick Weir*
Mr. Matthew Brian Rosenberg*

* *Independent Non-executive Directors*

In accordance with the bye-law 87 of the Company's Bye-laws, Mr. Derrick Francis Bulawa and Mr. Lim Shyang Guey shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2002, the directors and their respective associates had the following interests in the issued share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance.

Name of director	Number of ordinary shares of HK\$0.01 each held		
	Personal interests	Corporate interests	Total interests
Mr. Richard John Siemens	–	100,631,627 <i>(notes 1 and 2)</i>	100,631,627
Mr. William Bruce Hicks	2,319,914 <i>(note 1)</i>	67,962,428 <i>(notes 1 and 3)</i>	70,282,342
Mr. Kuldeep Saran	341,200 <i>(note 1)</i>	67,632,428 <i>(notes 1 and 4)</i>	67,973,628
Mr. Shane Frederick Weir	10,000 <i>(note 1)</i>	–	10,000

Notes:

1. The number of shares was adjusted as a result of capital reorganisation and rights issue in November and December 2002, as detailed in note 18 to the financial statements, respectively.
2. 2,400,000 shares are beneficially owned by Siemens Enterprises Limited, a company controlled by Mr. Richard John Siemens. 98,231,627 shares are beneficially owned by Goldstone Trading Limited, a company controlled by Mr. Siemens.
3. 67,962,428 shares are beneficially owned by Great Wall Holdings Limited, a company controlled by Mr. William Bruce Hicks.
4. 67,632,428 shares are beneficially owned by Future (Holdings) Limited, a company controlled by Mr. Kuldeep Saran.

The interests of the directors in the share options of the Company are separately disclosed under the heading of "Arrangement to enable directors to acquire shares or debentures" below.

Save as disclosed above, none of the directors, the chief executive and/or any of their associates had any interests in the shares or debt securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) as at 31 December 2002 pursuant to the SDI Ordinance and the Model Code.

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

In accordance with the Old Share Option Scheme which particulars are further described under the heading of "Share Option Schemes" below, other than 7,751,850 share options granted to directors which were cancelled, there were no share options granted, exercised, cancelled and lapsed during the year.

Details of movements in share options granted to directors and eligible employees under the Old Share Option Scheme during the year and their share options remaining outstanding as at 31 December 2002 were as follows:

Director	Date of grant	Exercisable period	Adjusted exercise price (note 1) HK\$	Number of share options					
				As at 1 January 2002	Adjusted (note 2)	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	As at 31 December 2002
Mr. Richard John Siemens	24.01.2000	24.01.2000– 24.10.2009	2.30	28,700,000	2,870,000	–	–	(2,870,000)	–
Mr. Derrick Francis Bulawa	25.10.1999	25.10.2000– 24.10.2009	1.40	23,961,235	2,396,124	–	–	(2,396,124)	–
	16.11.1999	16.11.2000– 24.10.2009	1.60	4,750,000	475,000	–	–	(475,000)	–
	23.12.1999	23.12.2000– 24.10.2009	2.00	250,000	25,000	–	–	(25,000)	–
	03.01.2000	03.01.2001– 24.10.2009	2.30	25,000	2,500	–	–	(2,500)	–
	25.10.2000	25.10.2001– 24.10.2009	1.20	9,532,274	953,226	–	–	(953,226)	–
				38,518,509	3,851,850	–	–	(3,851,850)	–
Mr. Lim Shyang Guey	25.10.1999	25.10.2000– 24.10.2009	1.40	4,500,000	450,000	–	–	(450,000)	–
	24.01.2000	21.02.2000– 24.10.2009	2.30	1,500,000	150,000	–	–	(150,000)	–
	25.01.2000	01.03.2000– 24.10.2009	2.30	500,000	50,000	–	–	(50,000)	–
	03.03.2000	03.04.2000– 24.10.2009	7.60	3,800,000	380,000	–	–	(380,000)	–
				10,300,000	1,030,000	–	–	(1,030,000)	–
				77,518,509	7,751,850	–	–	(7,751,850)	–
								(note 3)	

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES (Cont'd)

Date of grant	Exercisable period	Adjusted exercise price (note 1) HK\$	Number of share options					
			As at 1 January 2002	Adjusted (note 2)	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	As at 31 December 2002
Employees								
25.10.1999	25.10.2000– 24.10.2009	1.40	13,650,000	1,365,000	–	–	–	1,365,000
16.11.1999	16.11.2000– 24.10.2009	1.60	75,000	7,500	–	–	–	7,500
23.12.1999	23.12.2000– 24.10.2009	2.00	3,700,000	370,000	–	–	–	370,000
03.01.2000	03.01.2001– 24.10.2009	2.30	3,000,000	300,000	–	–	–	300,000
24.01.2000	21.02.2000– 24.10.2009	2.30	6,000,000	600,000	–	–	–	600,000
25.01.2000	01.03.2000– 24.10.2009	2.30	2,000,000	200,000	–	–	–	200,000
03.03.2000	03.04.2000– 24.10.2009	7.60	15,200,000	1,520,000	–	–	–	1,520,000
03.03.2000	03.03.2001– 24.10.2009	7.60	3,150,000	315,000	–	–	–	315,000
28.04.2000	28.04.2001– 24.10.2009	3.30	4,915,000	491,500	–	–	–	491,500
09.08.2000	09.08.2001– 24.10.2009	2.30	550,000	55,000	–	–	–	55,000
25.10.2000	25.10.2001– 24.10.2009	1.20	400,000	40,000	–	–	–	40,000
16.05.2001	16.05.2001– 01.04.2003	0.80	200,000	20,000	–	–	–	20,000
			52,840,000	5,284,000	–	–	–	5,284,000
TOTAL			130,358,509	13,035,850	–	–	(7,751,850)	5,284,000

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES (Cont'd)

Notes:

1. The exercise price per share option was adjusted by multiplying by 20 and then being divided by 2 as a result of capital reorganisation and rights issue in November and December 2002, as detailed in note 18 to the financial statements, respectively.
2. The number of share options was adjusted by being divided by 20 with any fraction rounded down to the nearest integer and then multiplying by 2 as a result of capital reorganisation and rights issue in November and December 2002, as detailed in note 18 to the financial statements, respectively.
3. Deed of Cancellation was entered into between the Company and each of Mr. Richard John Siemens, Mr. Derrick Francis Bulawa and Mr. Lim Shyang Guey on 31 December 2002, pursuant to which the said directors voluntarily cancelled their outstanding share options of 7,751,850 in total on 31 December 2002.

As at 31 December 2002, no share options were granted by the Company under the New Share Option Scheme of the Company since its adoption on 28 June 2002. The particulars of the relevant schemes are further described under the heading of "Share Option Schemes" below.

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any director or the chief executive 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 interest in, or had been granted, any right to subscribe for the shares in or debentures of the Company or its associated corporation (within the meaning of the SDI Ordinance), or had exercised any such right during the year.

DIRECTORS' SERVICE CONTRACTS

The independent non-executive directors of the Company entered into service contracts with the Company for an initial one year fixed period ended on 31 December 2002 and thereafter continued until terminated by giving to the other party at least one calendar month's notice in writing thereof.

As at 31 December 2002, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).



DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the register of substantial shareholders maintained by the Company under section 16(1) of the SDI Ordinance showed that, other than the interests disclosed under the heading of "Directors' interests in securities" above, the following shareholders had an interest of 10% or more of the Company's issued share capital :

Name of shareholder	Number of shares held	Percentage of total issued share capital
Goldstone Trading Limited	98,231,627*	20.9%
Great Wall Holdings Limited	67,962,428*	14.4%
Future (Holdings) Limited	67,632,428*	14.4%

* These interests represent the same interests as corporate interests of Mr. Richard John Siemens (being held through Goldstone Trading Limited), Mr. Kuldeep Saran and Mr. William Bruce Hicks as disclosed in the notes to the description under the heading of "Directors' interests in securities" above.

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.

SHARE CAPITAL

Details of movements in the Company's share capital during the year and the purpose of the shares issued are set out in note 18 to the financial statements.

SHARE OPTION SCHEMES

(a) Company

Pursuant to the employee share option scheme of the Company (the “Old Share Option Scheme”) adopted in a special general meeting held on 25 October 1999, the directors of the Company might, at their discretion, invite eligible employees of the Group, including executive directors of the Company, to take up options to subscribe for shares in the Company under the terms and conditions stipulated therein. The Old Share Option Scheme was subsequently terminated by the Company in a special general meeting held on 28 June 2002 but the share options granted but not yet exercised thereunder would however remain effective and are bound by terms therein.

On 28 June 2002, the Company adopted a new share option scheme (the “New Share Option Scheme”) to comply with the new requirements of Chapter 17 of the Listing Rules. Under the New Share Option Scheme, the Board may at its discretion grant share options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser of or contractor to any company in the Group or any affiliate; and/or (ii) any discretionary trust the discretionary objects of which include any of the foregoing, under the terms and conditions stipulated therein. No share options have ever been granted by the Company under the New Share Option Scheme since adoption.

(b) Subsidiaries

Pursuant to the respective employee share option schemes (the “Old Subsidiary Schemes”) adopted by certain subsidiaries of the Company under the terms and conditions of the rules and procedures for share option schemes for subsidiaries of the Company (the “Old Scheme Rules and Procedures”) as adopted and approved by the Company in a special general meeting held on 25 April 2001, certain directors and the chief executive of the Company, who are also directors of those subsidiaries, and employees of those subsidiaries were eligible to subscribe for shares in the respective subsidiaries under the terms and conditions stipulated therein. The Old Subsidiary Schemes were subsequently terminated by the subsidiaries upon the cancellation of the Old Scheme Rules and Procedures in a special general meeting of the Company held on 28 June 2002. No share options have ever been granted by the subsidiaries under their respective Old Subsidiary Schemes since adoption.





SHARE OPTION SCHEMES *(Cont'd)*

(b) Subsidiaries *(Cont'd)*

On 28 June 2002, the Company adopted new scheme rules and procedures for share option schemes for its subsidiaries (the "New Scheme Rules and Procedures") to comply with the new requirements of Chapter 17 of the Listing Rules. The subsidiaries may adopt their respective share options schemes in terms and conditions of the New Scheme Rules and Procedures, pursuant to which the board of directors of each of the relevant subsidiaries may at its discretion grant their respective share options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser of or contractor to the subsidiaries and their subsidiaries, any of their holding companies or any affiliate; and/or (ii) any discretionary trust the discretionary objects of which include any of the foregoing. No subsidiaries have ever adopted their respective share option schemes pursuant to the terms and conditions of the New Scheme Rules and Procedures since adoption.

Summary of principal terms of the New Share Option Scheme and New Scheme Rules and Procedures are as follows:

(i) Purpose

The scheme is designed to enable the board to grant share options to eligible participants as (i) incentives and/or rewards in recognition or acknowledgement of the contributions that eligible participants have made and will make to the group; and (ii) motivation to high calibre employees for high levels of performance in order to enhance long-term shareholder value.

(ii) Maximum number of shares

The total number of shares in respect of which share options may be granted (together with share options exercised and then outstanding) under the scheme and to be granted under any other share option schemes, shall not in aggregate exceed such number of shares representing 10% of the shares in issue as at the date of approval of the scheme unless shareholders' approval has been obtained pursuant to the scheme. (As at the date of the annual report, the total number of shares available for issue under the New Share Option Scheme is 8,582,762, representing 1.8% of the issued share capital of the Company as of that date.)

SHARE OPTION SCHEMES (Cont'd)

(ii) Maximum number of shares (Cont'd)

The maximum number of shares issued and which may fall to be issued upon the exercise of the share options granted under the scheme and any other share option schemes (including both exercised and outstanding share options) to each eligible participant shall not exceed 1% of the shares in issue for the time being in any 12 month period up to and including the date of grant.

(iii) Exercise period and payment on acceptance of share options

A share option may be exercised in accordance with the terms of the scheme at any time during a period to be determined and notified by the directors to each grantee, subject to a maximum period of 10 years from the date of grant.

A share option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of a share option duly signed by the grantee (for the New Share Option Scheme) or the acceptance of the offer of the grant of a share option duly acknowledged by the grantee in such form as the board may from time to time determine (for the New Scheme Rules and Procedures) together with a remittance in favour of the company of HK\$1.00 (or its US\$ equivalent) in consideration of the grant thereof is received by the company on a business day not later than 28 days from the offer date.

(iv) Basis of determining the subscription price

New Share Option Scheme

Subject to the terms of the scheme and the provisions of the Listing Rules, the subscription price in respect of any share option shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets over the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

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SHARE OPTION SCHEMES *(Cont'd)*

(iv) Basis of determining the subscription price *(Cont'd)*

New Scheme Rules and Procedures

Subject to the terms of the scheme and the provisions of the Listing Rules, the subscription price in respect of any share option shall not be less than the par value of a share provided that if the share option is intended to qualify as an incentive stock option under the tax laws of the United States, the subscription price thereof shall not be less than the fair market value of a share as detailed therein.

(v) Remaining life of the scheme

The scheme will be valid and effective, at the discretion of the board of directors, subject to a maximum period of 10 years from the date of adoption of the scheme.

PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 10 to the financial statements.

LIQUIDITY

As at 31 December 2002, the Group has managed to maintain stable liquidity with cash and cash equivalents of approximately HK\$38,795,000 (2001: HK\$118,456,000).

BANK LOANS AND OVERDRAFTS

The Group has no bank loans and overdrafts as at 31 December 2002. There was no interest capitalised by the Group during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

RETIREMENT BENEFITS SCHEMES

Since December 2000, the Group, other than overseas subsidiaries, has operated a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group and are under the control of independent trustees. Under the MPF Scheme, both the Group and each of the qualifying employees are required to make monthly contributions at 5% of the qualifying employee's monthly income, up to a maximum of HK\$1,000 each per month. The employees may also choose to make voluntary matching contribution above the said maximum level. The contributions from the MPF Scheme charged to the income statement represent contributions payable to the MPF Scheme by the Group, other than overseas subsidiaries, to funds at rates specified in the rules of the MPF Scheme.

The overseas subsidiaries have also operated their pension schemes or similar arrangement for their employees in accordance with the statutory limits prescribed by the relevant legal requirements.

At the balance sheet date, the Group had no significant forfeited contributions which arose upon employees leaving the MPF Scheme and which are available to reduce the contributions payable by the Group in the future years.

PARTICULARS OF DIRECTORS

Biographical details of directors of the Company are set out on pages 21 and 22 under Directors' Profile.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31 December 2002, the Group employed 214 full-time employees. The Group has maintained good relationships with its employees.

SUBSEQUENT EVENT

In January 2003, the Group entered into a sale and purchase agreement with an independent third party to dispose of two of the Company's subsidiaries at a consideration of HK\$1.5 million. Those subsidiaries held substantially all assets and liabilities acquired, created and assumed by the event management-related business undertaken by the Group.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, throughout the year ended 31 December 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the draft audited financial statements for the year ended 31 December 2002.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda although there are no restrictions against such rights under the laws of Bermuda.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the auditors, Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*.

On behalf of the Board
Richard John Siemens
Chairman

Hong Kong, 10 April 2003