

REPORT OF THE DIRECTORS

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

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 27 to the financial statements.

Results, Appropriations and Reserves

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 19 of the annual report.

An interim dividend of HK\$0.007 (2001: Nil) per share was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK\$0.006 (2001: HK\$0.02) per share in respect of the year to the shareholders on the register of members on 2 June 2003.

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

Plant and Equipment

Details of movements in the plant and equipment of the Group during the year are set out in note 14 to the financial statements.

Purchase, Sale or Redemption of the 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.

Share Option Scheme

Details of share option scheme are set out in note 21 to the financial statements.

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Directors and Directors' Service Contracts

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

Executive Directors

Yu Pen Hung

Chen Lee Shu

Yu Chi Ming, Frederick

Chen Chih Ming (resigned on 31 January 2002)

Independent Non-Executive Directors

Liu James Juh

Hu Gin Ing

In accordance with the provisions of the Company's Articles of Association, Ms. Chen Lee Shu will retire at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

Each of the executive directors has entered into a service agreement with the Company under which they are to act as executive directors for an initial term of two years commencing from 1 September 2001 and shall continue thereafter until terminated by either party giving to the other not less than three calendar months' notice in writing. All executive directors may also be entitled to a management bonus provided that the aggregate amount of the bonuses payable to all the executive directors for any financial year of the Company may not exceed 5% of the audited consolidated or combined net profit of the Group after taxation, minority interests and payment of such bonuses but excluding extraordinary items in respect of that financial year of the Group.

Each of the independent non-executive directors was appointed for a period of two years commencing on the respective appointment date.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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Directors' and Chief Executives' Interests in Securities

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

Name	Number of ordinary shares beneficially held				Total no. of shares
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Yu Pen Hung	–	–	1,200,000,000 <i>(note)</i>	–	1,200,000,000 <i>(note)</i>

Note: These shares are held by E-Career Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Yu Pen Hung.

In addition to the above, a director held interests in the non-voting deferred shares of a wholly owned subsidiary of the Company as at 31 December 2002 as follows:

Name of subsidiary	Name of director	Number of non-voting deferred shares held
Artel Industries Limited	Mr. Yu Pen Hung	6,400,000 shares of HK\$1 each

Other than as disclosed above and certain nominee shares in subsidiaries held by the directors in trust for the Group, none of the directors or chief executives, or their associates, had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register as at 31 December 2002 maintained under section 29 of the SDI Ordinance.

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Arrangement to Purchase Shares or Debentures

At no time during the year was the Company, its holding 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 and none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company or had exercised any such rights.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, its holding 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, in addition to those interests as disclosed above in respect of the directors, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company directly or indirectly according to the register of substantial shareholders required to be maintained under section 16(1) of the SDI Ordinance:

Name	Number of shares	Approximate percentage of holding
E-Career Investments Limited (<i>note</i>)	1,200,000,000	75%
Mr. Yu Pen Hung (<i>note</i>)	1,200,000,000	75%

Note: The entire issued share capital of E-Career Investments Limited is beneficially owned by Mr. Yu Pen Hung. Both E-Career Investments Limited and Mr. Yu Pen Hung are therefore deemed to have the duplicate interests in the share capital of the Company by virtue of section 8 of the SDI Ordinance.

Save as disclosed above, the directors of the Company are not aware of any person who is, directly or indirectly, interested in 10% or more of the issued share capital of the Company or has any rights to subscribe for shares in respect of such capital.

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Major Customers and Suppliers

During the year under review, the five largest customers of the Group accounted for about 52% of the turnover of the Group and the largest customer accounted for about 19% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 100% of its purchases for the year. Purchases from the largest supplier accounted for about 99% of its purchases.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group for the financial year ended 31 December 2002.

All transactions between the Group and the customers were carried out on normal commercial terms.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

Corporate Governance

The Company has complied throughout the year ended 31 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 will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Yu Pen Hung

Chairman

Hong Kong, 17 April 2003