

The directors present their first report and the audited financial statement of the Company for the period from 5 July 2002 (date of incorporation) to 31 December 2002.

GROUP REORGANISATION AND LISTING OF THE COMPANY'S SHARES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The Company was incorporated on 5 July 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 20 December 2002. Details of the group reorganization are set out in note 25 to the financial statement and the paragraph headed "Corporate Reorganisation" in appendix V of the prospectus of the Company dated 18 February 2003.

The shares of the Company have been listed on the Stock Exchange with effect from 3 March 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 18 of the annual report.

During the period, the Directors recommended the payment of an interim dividend of HK\$10.0 million to the shareholders on the register of members on 23 December 2002. The Directors do not recommend the payment of a final dividend.

INVESTMENT PROPERTIES

During the year, the Group acquired, through a related company, investment properties of HK\$1,814,000.

The Group's investment properties were revalued as at 31 December 2002, as set out in note 12 to the financial statements. No surplus or deficit was arising on revaluation.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements property, plant and equipment of the Group during the year ended 31 December 2002 are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the Scheme) was adopted pursuant to a resolution passed on 12 February 2003 for the purpose of recognition of the contribution from directors and eligible employees of the Group, and will expire in February 2013. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may granted under the Scheme, when aggregated with any shares subject to any other schemes is not permitted to exceed 10% of the issued share capital of the Company immediately upon the listing of the shares on the Stock Exchange, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the expiry of 6 months from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, and will not be less than the higher of the average closing price of the shares for the five business days immediately preceding the date of grant or the closing price of the shares on the date of grant.

No option was granted by the Company since the adoption of the Scheme.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company since its date of incorporation and up to the date of this report were:

Executive directors:

Wong Shu Wing	(appointed on 22 July 2002)
Kwan Kim Fai, Stanley	(appointed on 22 July 2002)
Tsing Kwok Lun, Allan	(appointed on 22 July 2002)
Choi Tat Kai	(appointed on 22 July 2002)
Lau Kit Hung	(appointed on 22 July 2002)
Bok Teck Tien	(appointed on 22 July 2002)
Neil T. Cox	(appointed on 5 July 2002 and resigned on 22 July 2002)

Independent non-executive directors:

Lau Chung Kwan	(appointed on 22 August 2002)
Yeung Ming Tai	(appointed on 22 August 2002)

In accordance with the provisions of the Company's Articles of Association, all directors will retire at the forthcoming Annual General Meeting and, being eligible, offers themselves for re-election.

Each of the executive directors has entered into a service agreement with the Company under which they act as executive directors for an initial term of three years (as to Wong Shu Wing), two years (as to Kwan Kim Fai, Stanley and Bok Teck Tien) and one year (as to that of Tsing Kwok Lun, Allan, Choi Tat Kai and Lau Kit Hung) respectively commencing from 3 March 2003 and shall continue thereafter from year to year until terminated by either party with three months' notice in writing served on the other side. Under the service agreements, the executive Directors are entitled to an aggregate monthly salaries of HK\$266,800 with no bonus. The Company will provide Bok Teck Tien with free accommodation in the PRC. In addition, all the executive directors will be entitled to all reasonable out-of-pocket expenses and medical benefits/insurance on terms to be agreed with the Company.

Each independent non-executive directors has entered into a service agreement with the Company for an initial term of one year commencing from 3 March 2003 and shall continue thereafter from year to year until terminated by either party with one month's notice in writing served on the other side. Under the service agreements, the independent non-executive directors are entitled to an aggregate fee of HK\$100,000 per year.

Save as disclosed above, none of 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.

DIRECTORS' INTERESTS IN SECURITIES

The shares of the Company were listed on the Stock Exchange on 3 March 2003. Following the listing of the Company's shares, the interests in the directors 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 at 3 March 2003 as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Interest in the Company's shares

Name	Personal interests	Family interests	Corporate interests	Other interests	Total no. of shares
Wong Shu Wing	—	—	204,000,000 (Note)	—	204,000,000
Kwan Kim Fai, Stanley	36,000,000	—	—	—	36,000,000

Note: These shares are held by Best Eagle International Ltd., a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Wong Shu Wing.

Other than as disclosed above, 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 at 3 March 2003.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the issue of shares of the Company pursuant to the Corporate Reorganisation mentioned above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements 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 directors, or their spouses or children under the age of 18, had right to subscribe for the securities of the Company, or had exercised any such right during the period.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than certain transactions as disclosed in note 31 to the financial statements, no contracts of significance to which the Company, its holding company or any its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2002 or at any time during the year then ended.

SUBSTANTIAL SHAREHOLDERS

The shares of the Company were listed on the Stock Exchange on 3 March 2003. Following the listing of the Company's shares, the interests of substantial shareholders, other than the interests disclosed above in respect of certain directors, being 10% or more in the share capital of the Company as at 3 March 2003 as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares	Approximate percentage of holding
Best Eagle International Ltd. (Note 1)	204,000,000	51%
Wong Shu Wing (Note 1)	204,000,000	51%
D & M International Ltd. (Note 2)	60,000,000	15%
Leung Yu Ming, Steven (Note 2)	60,000,000	15%

Notes:

1. The entire issued share capital of Best Eagle International Ltd. is beneficially owned by Mr. Wong Shu Wing. Therefore both Best Eagle International Ltd. and Mr. Wong Shu Wing are deemed to have the duplicate interests in the share capital of the Company by virtue of section 8 of the SDI Ordinance.
2. The entire issued share capital of D & M International Ltd. is beneficially owned by Mr. Leung Yu Ming, Steven. Therefore both D & M International Ltd. and Mr. Leung Yu Ming, Steven are deemed to have the duplicate interests in the share capital of the Company by virtue of section 8 of the SDI Ordinance.

Other than as disclosed above, the Company has not been notified by any other interests representing 10% or more of the Company's issued share capital as defined in the SDI Ordinance as at 3 March 2003.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2002, the five largest customers of the Group accounted for about 32% of the turnover of the Group and the largest customer accounted for about 12% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 73% of its purchases for the year. Purchases from the largest supplier accounted for about 27% 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.

RETIREMENT BENEFITS SCHEMES

The Group makes mandatory contributions to Mandatory Provident Fund Scheme for its staff in Hong Kong and retirement plans for those staff in other jurisdictions.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provision 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.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company during the period. A resolution will be submitted to the annual general meeting of the Company to re-appoint them as auditors.

On behalf of the Board

Wong Shu Wing

Chairman

Hong Kong

23 April 2003