

Report of the Directors

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property development, property leasing and provision of building management services in Hong Kong. Other particulars of the subsidiaries are set out in note 15 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2002 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 24 to 76.

The Directors do not recommend the payment of a dividend for this year.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Group's principal subsidiaries and associates are set out in notes 15 and 16 to the financial statements.

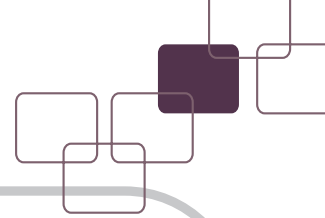
BORROWINGS AND INTEREST CAPITALISED

Particulars of the borrowings of the Group at the balance sheet date are set out in note 27 to the financial statements.

During the year, the Group has not capitalised any interest (2001: HK\$24,753,000).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 29 to the financial statements.



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RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

WARRANTS

Particulars of warrants are set out in note 31 to the financial statements.

SHARE OPTIONS

Particulars of the share options granted are set out in note 30 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78.

PROPERTIES

Particulars of the major properties held by the Group are set out on page 77.

DIRECTORS

The Directors of the Company are listed on page 2. The Directors' biographical information is set out on pages 11 to 13.

In accordance with the Company's bye-laws, Messrs. Liu Hanbo and Kwan Chai Ming who were appointed during the year shall hold their respective offices until the forthcoming annual general meeting and, being eligible, offer themselves for election. In addition, Miss Chan Wai Ling, shall retire from office in the forthcoming annual general meeting and, being eligible, offer herself for re-election.

DIRECTORS' SERVICE CONTRACTS

Two independent non-executive directors have been appointed for a term of one year, which will be renewed upon termination.

No director 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).

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DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2002, the interests of the Directors and chief executive in the shares of the Company or any associated corporation as recorded in the register to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Director	Number of shares
Foo Kam Chu, Grace	1,739,586,000 (Corporate interest)
Tse Chun Kong, Thomas	280,179 (Personal interest)

- (a) Madam Foo Kam Chu, Grace's corporate interest (within the meaning of Practice Note No. 5 (the "Practice Note") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), arises by virtue of her shareholding in Ko Bee Limited referred to in paragraph (b) below.
- (b) Madam Foo Kam Chu, Grace has a personal interest (within the meaning of the Practice Note) in respect of one share of US\$1, representing the entire issued share capital of Ko Bee Limited, a company incorporated in the British Virgin Islands, which holds and is beneficially interested in 1,739,586,000 shares of the Company.

Save as disclosed herein, none of the Directors nor any chief executive of the Company has any interest in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At the balance sheet date, there were 24,600,000 outstanding options granted to several Directors of the Company. Details of the said outstanding options are set out in note 30 to the financial statements.

Save as disclosed above, as at 31 December 2002, there is no right to subscribe for equity or debt securities of the Company granted to any director or chief executive of the Company or to the spouse or children under 18 years of age of any such director or chief executive as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

The above options granted are not recognised in the accounts until they are exercised. Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report and interim report the value of options granted to participants as referred to in (i) to (v) of Rule 17.07 during the

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financial year. The Directors consider it inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share options based on various speculative assumptions would be meaningless and could be misleading to the shareholders. The Directors therefore consider the disclosure of only the relevant market price and exercise price, which are readily ascertainable, will be more appropriate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the following persons are interested in 10% or more of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance:

Shareholder	Number of shares
Foo Kam Chu, Grace (<i>note (i)</i>)	1,739,586,000
China Ocean Shipping (Group) Company (<i>note (ii)</i>)	330,736,000

Notes:

- (1) 1,739,586,000 shares of the Company were held by Ko Bee Limited, the share of which was beneficially wholly owned by Madam Foo Kam Chu, Grace.
- (ii) 185,296,000 shares and 145,440,000 shares of the Company were held by COSCO Investments Limited and Graceful Nice Limited respectively, both of which were indirect subsidiaries of China Ocean Shipping (Group) Company.

USE OF PROCEEDS FROM SHARE ISSUE

During the year, the Company has not issued any shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, approximately 24% of the Group's purchases were attributable to the Group's largest supplier and approximately 47% of the Group's purchases were attributable to the Group's five largest suppliers.

During the year, approximately 8% of the Group's turnover were attributable to the Group's largest customer and approximately 25% of the Group's turnover were attributable to the Group's five largest customers.

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None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or customers.

CONNECTED TRANSACTIONS

No contracts of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the balance sheet date or at any time 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.

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.

CODE OF BEST PRACTICE

In the opinion of Directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2002.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

Pursuant to paragraph 3.7.1 of the Practice Note 19 of the Listing Rules, the conditions imposing specific performance obligations on any controlling shareholder in relation to bank facilities granted to the Group are set out below.

Pursuant to the Debt Restructure Agreement dated 8 May 2000 (which was cancelled on 26 September 2002), completion of which was subject to, inter alia, the execution of a subordination agreement in which the other loan payable to Madam Foo Kam Chu, Grace ("Mrs. Chan") was subordinated to bank borrowings and Mrs. Chan should maintain her shareholding in the Company not less than 45% of the issued share capital of the Company during the standstill period.



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Pursuant to a Loan Agreement dated 20 October 2000, it is a condition, inter alia, to the availability of banking facility granted to a wholly owned subsidiary (“the Subsidiary”) of the Company that Mrs. Chan, inter alia, shall enter into a subordination agreement in which all sums for which the Subsidiary was then indebted (if any) and may thereafter become indebted to Mrs. Chan will be subordinated to bank borrowings.

AUDITORS

The former auditors of the Company, Messrs. Moores Rowland have resigned as auditors of the Company effective from 20 February 2003 and Messrs. Grant Thornton was appointed as auditors of the Company to fill the vacancy. The resignation and appointment were approved by the shareholders of the Company in its Special General Meeting convened on 3 April 2003.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Grant Thornton.

By order of the Board

Foo Kam Chu, Grace

Chairman

Hong Kong, 16 April 2003