

The directors submit their report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. It provides corporate management services to its group companies. The activities of the Company's principal subsidiaries are set out in note 15 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 24.

The directors have declared an interim dividend of 0.25 HK cent per share amounting to approximately HK\$2.9 million which was paid to the shareholders during the year.

The directors do not recommend the payment of a final dividend for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$100,000.

FIXED ASSETS

Details of the movements in the fixed assets of the Group and the Company during the year are set out in note 13 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2002 are set out on page 87.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 26 to the financial statements.

Report of the Directors

BORROWINGS AND INTEREST CAPITALISED

Analyses of the maturity of bank loans and other loans are set out in note 28 and 29 to the financial statements, respectively.

Interest capitalised by the Group during the year amounted to approximately HK\$1,526,000 in respect of properties under development for sale.

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 86.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors:

Fung Ka Pun (*Executive Co-Chairman*)

Wong Sin Just (*Executive Co-Chairman*)

Independent non-executive directors:

Ongpin Roberto V.

Chung Cho Yee, Mico

Ms. Tam Yuk Ching, Jenny resigned as an alternate director to Mr. Wong Sin Just on 27 May 2002.

In accordance with clause 99 of the Company's New Bye-laws, all remaining directors retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The term of office for non-executive directors of the Company are subject to retirement and re-election at the annual general meeting in accordance with the Company's New Bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in the section "Connected Transactions", no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company 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.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2002, the interests of the directors and chief executive and their associates in the shares of the Company and its associated corporations (within the meaning of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") ("Associated Corporations")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

| Name of director | Number of shares of the Company held | |
|------------------|---|------------------------|
| | Personal interests | Corporate interests |
| Fung Ka Pun | 1,380,850 | 302,889,957 (Note 1) |
| Wong Sin Just | — | 298,100,000 (Note 2) |

Notes:

- (1) Mr. Fung Ka Pun has beneficial interests in Bo Hing Limited and Goodwill International (Holdings) Limited ("Goodwill International"), which were interested in 5,320,866 shares and 297,569,091 shares in the Company as at 31 December 2002, respectively. Goodwill International is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".
- (2) Mr. Wong Sin Just has beneficial interests in e2-Capital Inc., which was interested in 298,100,000 shares in the Company as at 31 December 2002. e2-Capital Inc. is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

Other than as disclosed above, as at 31 December 2002, none of the directors and chief executive and their associates had any other interests in shares in, or debentures of, the Company or any of its Associated Corporations which had been entered in the register maintained by the Company under Section 29 of the SDI Ordinance.

Report of the Directors

SHARE OPTION SCHEME

Under the share option scheme (the "Scheme") approved by the shareholders at a Special General Meeting of the Company held on 15 December 1992 ("Adoption Date"), the directors could, at their discretion, invite any full time employees or directors of the Company or any of its subsidiaries, as incentive to take up options to subscribe for shares which in aggregate, may not exceed 10% of the issued share capital of the Company from time to time.

During the year, no share options had been issued under the Scheme and the Scheme has expired on 14 December 2002. At 31 December 2002, there was no share option scheme adopted by the Company.

Details of share options which have been cancelled during the year are as follows:

| Name of Directors | Date of Grant | Exercise Price HK\$ | Number of share options | | |
|-------------------------------|---------------|------------------------|-------------------------|---------------------------|-----------------------|
| | | | Held at 1.1.2002 | Cancelled during the year | Balance at 31.12.2002 |
| Fung Ka Pun | 17.3.1997 | 1.77 | 6,375,000 | (6,375,000) | — |
| Choi Hon Hing (Note 1) | 17.3.1997 | 1.77 | 1,500,000 | (1,500,000) | — |
| | 23.4.1998 | 0.80 | 2,000,000 | (2,000,000) | — |
| | 29.4.2000 | 0.79 | 4,000,000 | (4,000,000) | — |
| | 17.3.1997 | 1.77 | 1,724,000 | (1,724,000) | — |
| Continuous Contract Employees | 23.4.1998 | 0.80 | 2,000,000 | (2,000,000) | — |
| | 6.3.2000 | 1.20 | 3,050,000 | (3,050,000) | — |
| | 29.4.2000 | 0.79 | 9,000,000 | (9,000,000) | — |
| | 3.6.2000 | 0.79 | 2,120,000 | (2,120,000) | — |
| | 15.8.2000 | 0.79 | 6,500,000 | (6,500,000) | — |
| | 1.8.1997 | 2.68 | 750,000 | (750,000) | — |
| Others | 6.3.2000 | 1.20 | 750,000 | (750,000) | — |
| | 13.4.2000 | 1.03 | 4,000,000 | (4,000,000) | — |
| | 29.4.2000 | 0.79 | 7,000,000 | (7,000,000) | — |
| | 3.6.2000 | 0.79 | 2,000,000 | (2,000,000) | — |
| | 15.8.2000 | 0.79 | 250,000 | (250,000) | — |
| | 1.9.2000 | 0.79 | 6,500,000 | (6,500,000) | — |
| | | | 59,519,000 | (59,519,000) | — |
| | | | 59,519,000 | (59,519,000) | — |

Note:

1. Madam Choi Hon Hing is the spouse of Mr. Fung Ka Pun and is also a director of Crebox Limited, an indirect wholly-owned subsidiary of the Company.

Other than as disclosed above, at no time during the year was the Company or any of its Associated Corporations is 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 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its Associated Corporations.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31 December 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

| Name of shareholder | Number of shares held |
|------------------------|-----------------------|
| Goodwill International | 297,569,091 |
| e2-Capital Inc. | 298,100,000 |

Other than as disclosed above, as at 31 December 2002, the Company had not been notified of any other interests amounting to 10% or more of the Company's issued share capital required to be disclosed pursuant to the SDI Ordinance.

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

During the year, the Company repurchased a total of 858,000 of its own fully paid-up shares on The Stock Exchange of Hong Kong Limited, all of which have been duly cancelled, as follows:

| Month of repurchase | No. of shares repurchased | Price per share | | Total consideration |
|---------------------|---------------------------|-----------------|----------------|---------------------|
| | | Highest HK\$ | Lowest HK\$ | |
| April | 636,000 | 0.310 | 0.310 | 197,160 |
| October | 222,000 | 0.165 | 0.155 | 35,270 |
| | <u>858,000</u> | | | <u>232,430</u> |

The directors considered that the Company's shares were trading at a significant discount to the net asset value per share and the repurchases would increase its net asset value per share.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Report of the Directors

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's New Bye-laws and there was no restriction against such rights under the laws of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the five largest customers combined and the five largest suppliers combined are less than 30% of the Group's total turnover and purchases, respectively.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2002, the Group entered into and completed the following transactions which constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), and are required to be disclosed in accordance with Chapter 14 of the Listing Rules:

- (a) On 18 December 2001, the Group entered into a sale and purchase agreement with Softbank Investment International (Strategic) Limited ("Softbank Strategic") in relation to the disposal of the Group's entire equity interest in ebizal Investments Limited (subsequently renamed as ebizal (Holdings) Limited), an indirect wholly-owned subsidiary of the Group, for a total consideration of approximately HK\$68.1 million. The total consideration was satisfied as to (i) approximately HK\$51.9 million by way of disposal of Softbank Strategic to the Group of its entire equity interests in Cheung Wah Ho Dyestuffs Company Limited, Full Success Investments Limited, Lancerwide Company Limited and Lucky Happy Development Limited (the "Softbank Companies"), all of which were wholly-owned subsidiaries of Softbank Strategic, and the assignment of Softbank Strategic to the Group of loans by Softbank Companies, the aggregate of which amounted to approximately HK\$62.7 million; and (ii) a sum of approximately HK\$16.2 million in cash. The transaction was completed on 24 January 2002.
- (b) On 11 September 2002, Goodwill Properties (Holdings) Limited ("Goodwill Properties"), an indirect wholly owned subsidiary of the Company entered into a Sales and Purchase Agreement with Elite World Group Limited ("Elite World"), an associated company of Mr. Fung Ka Pun, in relation to the disposal of a 50.1% interest in Right Venture Holdings Limited by Goodwill Properties to Elite World for a consideration of a HK\$455,000. The transaction was completed on 17 September 2002.

In the opinion of the directors of the Company, the above transaction were carried out on normal commercial terms and in the ordinary course of business.

SUBSEQUENT EVENTS

Details of significant post balance sheet events are set out in note 37 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties pursuant of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors of the Company, namely Mr. Ongpin Roberto V and Mr. Chung Cho Yee, Mico.

The Audit Committee had reviewed the annual report of the Group for the year ended 31 December 2002 with the Board prior to recommending the same to the Board for approval.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers replaced Deloitte Touche Tohmatsu when it did not stand for reappointment at the annual general meeting on 1 June 2001.

On behalf of the Board

Fung Ka Pun
EXECUTIVE CO-CHAIRMAN

Wong Sin Just
EXECUTIVE CO-CHAIRMAN

16 April 2003