

# Directors' Report

The directors of the Company (the "Director(s)") present their annual report and the audited financial statements for the year ended 31 December 2002.

## Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries and jointly controlled entity are set out in notes 40 and 41 to the financial statements, respectively.

## Results

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 13.

No dividend was paid during the year.

## Share Capital and Warrants

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

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 16 and note 30 to the financial statements, respectively.

## Investment Properties, and Property, Plant and Equipment

The Group's investment properties, and land and buildings were revalued at 31 December 2002 and the resulting revaluation decreases of HK\$270,000 and HK\$48,000, respectively, have been charged to the consolidated income statement.

Details of these and other movements in the investment properties, and property, plant and equipment of the Group during the year are set out in notes 17 and 18 to the financial statements, respectively.

## Directors and Service Contracts

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

### Executive Directors:

Ms. Chong Sok Un (*Chairman*) (appointed on 23 August 2002)  
Dato' Wong Peng Chong (appointed on 15 March 2002)  
Mr. Kong Muk Yin (appointed on 13 May 2002)  
Mr. Law Wing Kit, Stephen (resigned on 13 May 2002)

### Non-executive Director:

Mr. Chang Wang (change of office held from Executive Director on 15 March 2002 and resigned on 13 May 2002)

### Independent Non-executive Directors:

Mr. Cheng Mo Chi, Moses  
Mr. Tan Shao Hua  
Mr. Lo Wai On (appointed as Non-executive Director on 15 March 2002 and change of office held to Independent Non-executive Director on 29 October 2002)

In accordance with clauses 99, 102 and 182 (vi) of the Company's bye-laws, Dato' Wong Peng Chong, Mr. Kong Muk Yin and Mr. Tan Shao Hua will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Dato' Wong Peng Chong and Mr. Kong Muk Yin offered themselves for re-election. Mr. Tan Shao Hua expressed that he will not offer himself for re-election after retirement.

None of the Directors 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' Report

### Directors' Interests in Contracts

Other than as disclosed in the "Transactions with the Substantial Shareholder" section of this report and note 38 to the financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Directors' and Chief Executives' Interests in Shares and Warrants

As at 31 December 2002, Ms. Chong Sok Un ("Ms. Chong") had the following interests in the securities of the Company or its 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:

Name	Personal interests	Family interests	Corporate interests	Other interests
Ms. Chong (Note)				
- Shares	—	—	2,631,200,000	—
- Warrants	—	—	273,840,000	—

Note: The 2,631,200,000 shares of the Company and 273,840,000 warrants of the Company are held by Vigor Online Offshore Limited ("Vigor Online"), a 67.7% owned subsidiary of China Spirit Limited ("China Spirit") in which Ms. Chong maintains a beneficial interest of 100%.

Save as disclosed above, none of the Directors or chief executives of the Company or any of their associates, had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other

body corporate. In addition, none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company.

### Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance recorded the following parties as having an interest representing 10% or more in the issued share capital of the Company as at 31 December 2002:

Name	Number of shares held	Percentage held
Ms. Chong (Note)	2,631,200,000	28.33%
China Spirit (Note)	2,631,200,000	28.33%
Vigor Online	2,631,200,000	28.33%

Note: Vigor Online is a 67.7% owned subsidiary of China Spirit in which Ms. Chong maintains a beneficial interest of 100%. Accordingly, China Spirit and Ms. Chong were deemed by the SDI Ordinance to be interested in 2,631,200,000 shares of the Company.

Save as disclosed above, no person has registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest trade customers were less than 30% of total sales and the aggregate purchases attributable to the Group's five largest trade suppliers were less than 30% of total purchases.

### Transactions with the Substantial Shareholder

During the year, the Group paid a reimbursement of expenses of HK\$4,000,000 to China Sci-Tech Holdings Limited ("CST"), a former substantial shareholder of the Company. The reimbursement includes (i) salaries of two Directors, both of them are also directors of CST, (ii) other staff costs, and (iii) daily operating expenses.

**Convertible Securities, Options, Warrants or Similar Rights**

Other than the outstanding warrants as set out in note 29 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2002.

**Purchase, Sale or Redemption of Listed Securities**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

**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.

**Corporate Governance**

***The Board of directors***

The full Board met 4 times in 2002. Directors' attendance was as follows:

Name of Directors	No. of Board Meetings Attended
Ms. Chong Sok Un	2
Dato' Wong Peng Chong	3
Mr. Kong Muk Yin	2
Mr. Law Wing Kit, Stephen	2
Mr. Chang Wang	2
Mr. Cheng Mo Chi, Moses	2
Mr. Tan Shao Hua	4
Mr. Lo Wai On	3

***Executive committee***

The Company established an executive committee since 23 May 1998 pursuant to clauses 124 to 127 of the Company's bye-laws for the purposes of approving and monitoring the daily operations of the Group. 29 meetings of the executive committee were held in 2002.

***Investment committee***

The Company established an investment committee on 2 February 2000 for the purposes of approving and monitoring the Group's investment portfolio and projects. The investment committee met 19 times during the year.

***Audit committee***

The Company established an audit committee on 29 January 1999 with reference to "A Guide For The Formation Of An Audit Committee" issued by the Hong Kong Society of Accountants and in accordance with paragraph 14 of the Code of Best Practice. As at the date of this report, the audit committee members comprises of three Independent Non-executive Directors. The audit committee met 4 times during the year.

***Code of best practice***

The Company 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, except that the Independent Non-executive Directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

**Post Balance Sheet Events**

Details of the significant events occurring after the balance sheet date are set out in note 39 to the financial statements.

**Auditors**

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Chong Sok Un**

*Chairman*

Hong Kong, 9 April 2003