

The directors have pleasure in submitting the 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 and other particulars of principal subsidiaries are set out in note 25 on the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 10 on the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2002, the five largest customers in aggregate accounted for less than 30% of the Group's turnover. The five largest suppliers in aggregate and the largest supplier of the Group accounted for approximately 69% and 22% respectively by value of the Group's total purchases.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) in these major customers and suppliers.

董事會欣然提呈截至二零零二年十二月三十一日止年度之週年報告及經審核財務報表。

主要業務

本公司之主要業務為投資控股。主要附屬公司之主要業務及其他詳情載於財務報表附註25。

本公司及其附屬公司於本財政年度按主要業務及經營地區劃分之分析載於財務報表附註10。

主要客戶及供應商

截至二零零二年十二月三十一日止年度，五大客戶合共佔本集團之營業額少於30%。本集團五大供應商及最大供應商分別佔本集團之總採購額約69%及22%。

於本年度任何時間，本公司各董事、彼等之聯繫人士或就董事會所知任何持有本公司已發行股本5%以上之股東概無擁有上述主要客戶及供應商任何權益（定義見香港聯合交易所有限公司證券上市規則（「上市規則」））。

CONNECTED TRANSACTIONS

- (a) On 23 November 2001, a new tenancy agreement was entered into between Wisdom Power Property Limited (“WPP”), a wholly-owned subsidiary of the Company, and China Everbright Holdings Company Limited (“CEH”), a substantial shareholder of the Company, under which WPP agreed to let and CEH agreed to take a portion (with saleable area of approximately 4,586 square feet) of the 39th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong at a monthly rental of HK\$185,000 (inclusive of management fee, insurance, government rent and rates) for a term of 2 years commencing on 28 November 2001, following the expiry of a previous tenancy agreement between the same parties. Details of the lease were announced by way of a press announcement by the Company on 23 November 2001.
- (b) On 21 March 2003, the Company entered into an agreement with a subsidiary of CEH, China Everbright International Limited (“CEIL”). Pursuant to the agreement, the Company agreed to purchase and CEIL agreed to sell 100% interest in each of Tung On Assets Limited (“Tung On”) and Bright Merit Investments Limited (“Bright Merit”) at an aggregate cash consideration of HK\$7,000,000. Tung On and Bright Merit hold an aggregate 72.01% interest in Wellpeck International Group Limited (“Wellpeck”).

關連交易

- (a) 繼本公司全資附屬公司智力物業有限公司（「智力物業」）與本公司之主要股東中國光大集團有限公司（「光大集團」）簽訂之上一份租約協議屆滿後，上述雙方已於二零零一年十一月二十三日簽訂一項新租約協議；據此，智力物業同意向光大集團出租，而光大集團同意租用位於香港夏慤道16號遠東金融中心39樓部分面積（實用面積約4,586平方呎），每月租金為185,000港元（包括管理費、保險、政府地租及差餉），租期由二零零一年十一月二十八日起計為期兩年。本公司已於二零零一年十一月二十三日於報章公佈此項租約之詳情。
- (b) 於二零零三年三月二十一日，本公司與光大集團之附屬公司中國光大國際有限公司（「光大國際」）訂立一項協議。根據協議，本公司同意購買而光大國際同意出售於Tung On Assets Limited（「Tung On」）及Bright Merit Investments Limited（「Bright Merit」）各自之100%權益，現金代價共7,000,000港元。Tung On及Bright Merit合共持有Wellpeck International Group Limited（「Wellpeck」）72.01%權益。

CONNECTED TRANSACTIONS (continued)

On the same date, a wholly owned subsidiary of the Company, Prime Win Profits Limited (“Prime Win”), entered into an agreement with Joint Cheer Investments Limited (“Joint Cheer”), an independent third party. Pursuant to the agreement, Prime Win agreed to purchase 27.99% interest in Wellpeck from Joint Cheer at a cash consideration of HK\$2,170,000. At the completion of the two transactions, which is expected to be on 28 March 2003, the Group will have a 100% beneficial interest in Wellpeck. The principal activities of Wellpeck and its subsidiaries are manufacturing and sale of timber products, development and servicing of machineries, investment holding, and trading and export of forest products.

The transactions constituted discloseable and connected transactions as defined by the Listing Rules and were announced by way of a press announcement by the Company on 21 March 2003.

SIGNIFICANT TRANSACTION

On 14 March 2003, the Company entered into a sales and purchase agreement with an independent third party, pursuant to which, the Company agreed to purchase the entire issued share capital in Starlex Limited (“Starlex”), incorporated in British Virgin Islands, for a cash consideration of HK\$99.8 million.

On the same date, Starlex entered into an equity transfer agreement pursuant to which, Starlex agreed to acquire the entire equity interest in Beijing Jing Guan Property Development Co. Ltd (“Jing Guan”) from the existing investors.

關連交易 (續)

同日，本公司之全資附屬公司Prime Win Profits Limited (「Prime Win」) 與一名獨立第三方Joint Cheer Investments Limited (「Joint Cheer」) 訂立協議。根據協議，Prime Win同意按現金代價2,170,000港元向Joint Cheer購買其擁有之Wellpeck 27.99%權益。於上述兩項交易完成後(預期為二零零三年三月二十八日)，本集團將擁有Wellpeck 100%實益權益。Wellpeck及其附屬公司之主要業務為製造及銷售木材產品、開發及維修機器、投資控股和林木產品之貿易及出口。

交易構成須予披露之關連交易(定義見上市規則)，本公司已於二零零三年三月二十一日作出報章公佈。

重大交易

於二零零三年三月十四日，本公司與一名獨立第三方訂立一項買賣協議，據此，本公司同意按現金代價99,800,000港元購買Starlex Limited (「Starlex」)全部已發行股本，該公司於英屬處女群島註冊成立。

同日，Starlex訂立一項權益轉讓協議，據此，Starlex同意向現有投資者收購北京京冠房地產開發有限公司(「京冠」)全部股本權益。

SIGNIFICANT TRANSACTION (continued)

Jing Guan was established on 8 June 2000 as a domestic limited liability company in the People's Republic of China ("PRC") with registered capital of RMB20 million. Jing Guan will be transformed as a wholly foreign-owned enterprise following the equity transfer. Jing Guan is engaged in property development and the sole asset of which is a piece of land with site area of approximately 45,900 square meters situated in Beijing, the PRC. The project is still in the development stage and the demolition and resettlement in respect of the site has been completed.

The transaction was announced by way of a press announcement of the Company on 17 March 2003.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 28 to 85.

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2002 (2001: Nil).

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 11 on the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 on the financial statements.

RESERVES

The movements in the reserves of the Group and of the Company during the year are set out in note 23 on the financial statements.

重大交易 (續)

京冠於二零零零年六月八日在中華人民共和國(「中國」)成立為內資有限責任公司，註冊資本為人民幣20,000,000元。京冠將於權益轉讓後轉型為全外資企業。京冠從事物業發展之業務，其唯一資產為一幅位於中國北京市，面積約45,900平方米之土地。該項目仍處於發展階段，而上址之拆卸及遷徙工作已告完成。

本公司已於二零零三年三月十七日在報章公佈是項交易。

財務報表

本集團截至二零零二年十二月三十一日止年度之溢利，以及本公司及本集團於當日之財政狀況載於第28頁至第85頁之財務報表內。

董事會並不建議派發截至二零零二年十二月三十一日止年度之末期股息(二零零一年：無)。

固定資產

固定資產於本年度之變動詳情載於財務報表附註11。

股本

本公司股本之變動詳情載於財務報表附註22。

儲備

本集團及本公司儲備於本年度之變動載於財務報表附註23。

DIRECTORS

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

Executive directors:

Wang Mingquan, *Chairman*
Wang Shaolan, *Chief Executive Officer*
Zang Qiutao
Huang Shenglan, *General Manager*
(resigned on 15 May 2002)

Independent non-executive directors:

Werner Max Michael Makowski
Yang Zheng Qing

In accordance with Article 116 of the Company's Articles of Association, Mr. Wang Mingquan retires from the board by rotation at the forthcoming annual general meeting and is eligible for re-election.

The independent non-executive directors are subject to retirement in accordance with the Company's Articles of Association as indicated above.

DIRECTORS' SERVICE CONTRACTS

The independent non-executive directors were appointed by the board of directors in accordance with the Company's Articles of Association. Their remuneration is determined by the shareholders in the annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

董事

以下為本年度內及截至本報告日止之董事：

執行董事：

王明權 (主席)
王少蘭 (行政總裁)
臧秋濤
黃勝藍 (總經理)
(於二零零二年五月十五日辭任)

獨立非執行董事：

麥高祺
楊正清

根據本公司之公司章程細則第116條之規定，王明權先生將於應屆股東週年大會依章輪值告退及膺選連任。

獨立非執行董事須根據本公司上述之公司章程細則依章告退。

董事之服務合約

獨立非執行董事由董事會根據本公司之公司章程細則委任。彼等之酬金由股東於股東週年大會上釐定。

於應屆股東週年大會上獲提名膺選連任之董事，並無與本公司或其任何附屬公司訂立於一年內終止而必須賠償（一般法定責任除外）之未屆滿服務合約。

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES

As at 31 December 2002, no directors nor chief executive of the Company had any beneficial interests in the issued share capital of the Company, its subsidiaries and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under section 29 of the SDI Ordinance.

Arrangement to purchase shares or debentures

The Company has a share option scheme which was adopted on 25 May 2001 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The share option scheme shall be valid and effective for a period of ten years ending on 24 May 2011, after which no options will be granted. For options granted before 1 September 2001, the exercise price of options was determined by the board and was the higher of the nominal value of the shares and 90% of the average of the closing prices of the shares on the Stock Exchange of Hong Kong Limited ("HKSE") for the five business days immediately preceding the date of grant. For options granted on or after 1 September 2001, the exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the HKSE on the date of grant and the average closing price of the shares on the HKSE for the five business days immediately preceding the date of grant. Each option gives the holder the right to subscribe for one share. During the year, there is no share options granted or exercised. There are no outstanding options at 31 December 2002.

董事及主要行政人員之股份權益

於二零零二年十二月三十一日，根據本公司遵照證券(披露權益)條例(「披露權益條例」)第29條規定須予存置之股東名冊所載，概無任何本公司董事或主要行政人員於本公司、附屬公司及其他相聯法團(定義見披露權益條例)之已發行股本中持有任何實益權益。

購買股份或債券之安排

本公司於二零零一年五月二十五日採納一項優先認購股份權計劃，藉此授權本公司董事酌情邀請本集團之僱員(包括本集團任何成員公司之董事)接納優先認購股份權，以便認購本公司股份。優先認購股份權計劃於截至二零一一年五月二十四日止十年期間內有效及生效，該期間後將不會授出任何優先認購股份權。就於二零零一年九月一日前授出之優先認購股份權而言，優先認購股份權之行使價由董事會釐定，為股份面值及股份於緊隨授出日期前五個營業日在香港聯合交易所有限公司(「聯交所」)之平均收市價90%兩者之較高者。就於二零零一年九月一日或之後授出之優先認購股份權而言，行使價則為股份面值、股份於授出日期在聯交所之收市價及股份在緊接授出日期前五個營業日在聯交所之平均收市價三者之最高者。每份優先認購股份權均賦予其持有人可認購一股股份。於本年內並無授予或獲行使優先認購股份權。於二零零二年十二月三十一日，並無任何尚未行使優先認購股份權。

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES (continued)**董事及主要行政人員之股份權益 (續)****Arrangement to purchase shares or debentures (continued)****購買股份或債券之安排 (續)**

Apart from the above share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

除本公司採納上述優先認購股份權計劃外，於本年度任何時間內，本公司或其任何附屬公司概無訂立任何安排，致使其董事、主要行政人員或任何彼等之配偶或未滿18歲子女可透過購入本公司或任何其他法人團體之股份或債券而獲取利益。

DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE**董事於重大合約中之權益**

No contract of significance to which the Company or any of its subsidiaries was a party, 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.

本公司董事概無於本公司或其任何附屬公司參與訂立，並於年終或本年度任何時間內仍然生效之重大合約中直接或間接擁有任何重大權益。

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that, the following company had an interest of 10% or more on the issued ordinary shares of the Company.

本公司股本中之主要權益

於二零零二年十二月三十一日，根據本公司遵照披露權益條例第16(1)條所存置之主要股東名冊顯示，下列公司持有本公司已發行普通股10%或以上權益。

Name 名稱		Number of shares held 持有股份 數目	Percentage of total issued shares 佔已發行股份 總數百分比
CEH	光大集團	625,393,515 (note) (附註)	40.48%

Note: The 625,393,515 shares are beneficially held by CEH which comprise 625,369,515 shares and 24,000 shares held by Kenco Investments Limited and Everbright Investment & Management Limited respectively, both of which are indirect or direct wholly owned subsidiaries of CEH.

附註： 光大集團實益擁有625,393,515股股份之權益。Kenco Investments Limited持有其中625,369,515股股份及光大投資管理有限公司持有其中24,000股股份。該兩間公司為光大集團間接或直接持有之全資附屬公司。

Save for the shares referred to above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 December 2002.

除上文所述股份外，於二零零二年十二月三十一日，本公司並無得悉任何其他人士持有本公司已發行股本10%或以上之任何其他權益。

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

Save as set out in note 22 on the financial statements, there were no other purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

FIVE YEAR 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 pages 86 and 87 of the annual report.

PROPERTIES

Particulars of the major properties of the Group are shown on page 88 of the annual report.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under Companies Law in the Cayman Islands.

RETIREMENT SCHEMES

The Group operates two defined contribution retirement scheme and a Mandatory Provident Fund Scheme which cover substantially all the Group's employees. Particular of these retirement schemes are set out in note 1(k) on the financial statements.

The Group's total contributions to these retirement schemes charged to the income statement during the year ended 31 December 2002 amounted to approximately HK\$1,236,000 (2001: HK\$1,270,000).

購回、出售或贖回本公司之上市證券

除財務報表附註22所載者外，於本年度內，本公司或其任何附屬公司概無購回、出售或贖回本公司任何上市證券。

五年財務資料摘要

本集團於過去五個財政年度之業績與資產及負債摘要載於本年報第86頁及第87頁。

物業

本集團主要物業詳情載於本年報第88頁。

優先購買權

開曼群島公司法並無訂明有關優先購買權之限制，本公司之公司章程細則對該項權利亦無訂立任何規定。

退休計劃

本集團為絕大部分僱員設立兩項定額供款退休計劃及強制性公積金計劃。該等退休計劃之詳情載於財務報表附註1(k)。

截至二零零二年十二月三十一日止年度，本集團計入損益表之該等退休計劃總供款額約達1,236,000港元（二零零一年：1,270,000港元）。

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive directors have not been appointed for specific terms and are subject to retirement in accordance with the Company's Articles of Association.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board

Wang Shaolan

Director and Chief Executive Officer

Hong Kong, 27 March 2003

遵守最佳應用守則

除本公司之非執行董事並無指定之委任年期，而需根據本公司之公司章程細則依章告退外，本公司於本年全內均遵守上市規則附錄十四所載監管之最佳應用守則。

核數師

畢馬威會計師事務所任滿告退，惟彼等已表示願意接受續聘。在本公司之應屆股東週年大會上將提呈一項決議案，續聘畢馬威會計師事務所為本公司之核數師。

承董事會命

王少蘭

董事兼行政總裁

香港，二零零三年三月二十七日