

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries comprise the trading of steel and, manufacture and trading of electronic products. During the year ended 31 December 2001, the Group deconsolidated its steel manufacture business, thereby discontinuing this line of business, further details of which are included in note 16 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 14 to 49.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 50. This summary does not form part of the audited financial statements.

FIXED ASSETS

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's issued share capital and share options during the year, together with the reasons therefor, are set out in notes 24 and 25 to the financial statements.

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.

PURCHASES, REDEMPTIONS OR SALES OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company had no reserves available for distribution. The Company's share premium account, in the amount of HK\$418,511,000, may be distributed in the form of fully paid bonus shares. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company, in the amount of HK\$88,380,000 as at 31 December 2002, is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 90% of the total sales for the year and sales to the largest customer included therein amounted to 75%. Purchases from the Group's five largest suppliers accounted for 73% of total purchases of the Group and purchases from the largest supplier included therein amounted to 31%.

None of the directors of the Company or any of their associates or any shareholders had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Lau Chi Yung, Kenneth *(Chairman)*
Tsang Pak Chung, Eddy *(Vice-Chairman)*
Leung Wei San, Saskia
Cho Po Hong, Jimmy

Independent non-executive directors:

Albert Thomas da Rosa, Junior
Choy Tak Ho

Subsequent to the balance sheet date, on 8 April 2003, Leung Wei San, Saskia resigned as an Executive Director and Lau Michael Kei Chi was appointed as an Executive Director of the Company.

In accordance with the Company's bye-laws, Mr. Lau Michael Kei Chi will retire and being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with the Company's bye-laws, Mr. Tsang Pak Chung, Eddy and Mr. Cho Po Hong, Jimmy, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out in the financial statements on page 7.

DIRECTORS' SERVICE CONTRACTS

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 IN CONTRACTS

Apart from those transactions disclosed in note 28 to the financial statements, no director had a material interest in any material contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31 December 2002, the interest of a director in the ordinary share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), was as follows:

Name	Type of interest	Number of shares held	Percentage of the Company's share capital
Lau Chi Yung, Kenneth	Corporate	465,370,000	25.85

The above shares are ultimately controlled by Power Resources Holdings Limited, which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth, his sisters and their respective families. Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the year.

Save as disclosed above, none of the directors or their associates had any interest in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

The interests of the directors in the share options of the Company are separately disclosed in note 25 to the financial statements.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 25 to the financial statements.

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SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Notes	Number of shares held	Percentage of the Company's issued share capital
Limitless Investment Limited	(1)	465,370,000	25.85
Multifield International Holdings (BVI) Limited	(1)	465,370,000	25.85
Multifield International Holdings Limited	(2)	465,370,000	25.85
Lucky Speculator Limited	(2)	465,370,000	25.85
Power Resources Holdings Limited	(2)	465,370,000	25.85

Notes:

(1) Limitless Investment Limited directly owned 465,370,000 shares in the Company. Multifield International Holdings (BVI) Limited has also declared an interest in these same 465,370,000 shares by virtue of its direct shareholding in Limitless Investment Limited.

(2) Multifield International Holdings Limited, Lucky Speculator Limited and Power Resources Holdings Limited have also declared their interests in the same 465,370,000 shares in which Limitless Investment Limited has declared an interest, by virtue of their indirect shareholdings in Limitless Investment Limited. Power Resources Holdings Limited beneficially owned these 465,370,000 shares in the Company.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and rights to acquire shares" above, had 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.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange, throughout the accounting year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company, in accordance with the provisions of the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

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AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lau Chi Yung, Kenneth
Chairman

Hong Kong
16 April 2003