

The directors hereby present their report together with the audited accounts for the year ended 31st December 2002.

PRINCIPAL ACTIVITIES AND BUSINESS AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are shown in note 14 to the accounts.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2002 are set out on page 17.

The directors have resolved that no final dividend be declared for the year ended 31st December 2002 (2001: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, net assets, capital and reserves of the Group for the last five financial years is set out on page 3.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets are shown in note 13 to the accounts.

PRINCIPAL PROPERTY INTERESTS HELD

Details of the Group's principal property interests held for development and sale and for investment purposes are set out on pages 65 and 66.

SHARE CAPITAL

Details of the share capital of the Company are shown in note 24 to the accounts.

DIRECTORS

The names of the directors serving during the year and at the date of this report are set out on page 2.

In accordance with articles 94 and 95 of the Company's Articles of Association, Mr Robert Tsai To Sze retires by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with article 85 of the Company's Articles of Association, Messrs Shang Jian Guang and Zhu Xue Lun, who were appointed as directors of the Company on 18th November 2002 and 25th April 2003 respectively, shall hold office until the forthcoming annual general meeting of the Company following their appointments and, being eligible, offer themselves for re-election.

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 by the Company within one year without payment of compensation.

DIRECTORS' INTERESTS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries 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.

At no time during the year was the Company or its subsidiaries 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.

At 31st December 2002, none of the directors and their associates had any personal, family, corporate and other interests in any securities of the Company and its associated corporations which are required to be entered in the register kept by the Company under section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance or which require notification, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

At 31st December 2002, according to the register of substantial shareholders kept by the Company under section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance, the following shareholders were directly or indirectly interested in 10 per cent or more of the issued share capital of the Company:—

Name	<i>Notes</i>	Number of shares held
Samba Limited (“Samba”)	1	144,885,000
XIFC (Nominees) Limited	1	164,560,200
Papilio Inc.	2	169,125,000
Vigour Fine Company Limited (“Vigour Fine”)	1 & 2	192,764,600
Fujian International Trust & Investment Corporation (“FITIC”)	3	192,764,600

Notes:

1. XIFC (Nominees) Limited was the registered holder of 139,785,000 shares holding on behalf of Samba and 24,775,200 shares holding on behalf of Vigour Fine.
2. Papilio Inc. and Vigour Fine, which were both substantial shareholders of Samba, were deemed to be interested in Samba's interest of 144,885,000 shares in the Company.
3. FITIC was deemed to be interested in Vigour Fine's interest of 192,764,600 shares in the Company by virtue of its controlling interest in Vigour Fine.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

MANAGEMENT CONTRACTS

During the year, the Company renewed the annual management agreement with Vigour Fine, a substantial shareholder of the Company, whereby Vigour Fine provides management services to the Company which include the provision of directors to the board of directors of the Company. Management fee of HK\$1,880,000 has been paid to Vigour Fine during the year.

Messrs Ding Shi Da, Wang Xi Chao, Yang Sheng Ming and Shang Jian Guang have interest in the above transaction as directors of Vigour Fine.

Except for the above, no other 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details in respect of the directors and senior management are set out on pages 8 to 10.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its products and services from its 5 largest suppliers and sold less than 30% of its products and services to its 5 largest customers.

CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered into by the Group during the year ended 31st December 2002, which do not constitute connected transactions as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), are disclosed in notes 15, 16, 21(a) and 30(a) to the accounts.
- (b) Other related party transactions, which also constitute connected transactions under the Listing Rules, are disclosed in notes 14 and 30(b) to (c) to the accounts.

AUDIT COMMITTEE

The Company has established an audit committee comprising two independent non-executive directors, namely Messrs Robert Tsai To Sze and Ip Kai Ming, with written terms of reference. The primary duties of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's Articles of Association.

SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 31 to the accounts.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

DING SHI DA

Chairman

HONG KONG, 25th April 2003