

The directors present their report and the audited financial statements of the Company and of 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 principal subsidiaries are set out in note 13 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results

The loss of the Group for the year ended 31 December 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 32 to 68.

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 published audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements. The results of the Group for the two years ended 31 December 1999 and the assets and liabilities of the Group as at 31 December 1998 have been adjusted for the effects of the retrospective changes in accounting policy affecting goodwill as further detailed in note 24 to the financial statements.

Results

	2002 HK\$	Year ended 31 December			
		2001 HK\$	2000 HK\$	1999 HK\$	1998 HK\$
Turnover	86,375,709	99,408,954	109,175,462	113,738,722	134,086,881
Net loss from ordinary activities attributable to shareholders	(35,596,308)	(18,634,632)	(6,567,759)	(51,687,224)	(46,187,032)

Assets, liabilities and minority interests

	2002 HK\$	31 December			
		2001 HK\$	2000 HK\$	1999 HK\$	1998 HK\$
Total assets	418,769,169	410,960,123	445,655,031	468,408,560	492,179,748
Total liabilities	(18,386,987)	(10,099,111)	(15,701,903)	(42,096,531)	(10,778,271)
Minority interests	(24,257,664)	(26,392,112)	(28,982,770)	(29,569,370)	(32,971,594)
Net assets	376,124,518	374,468,900	400,970,358	396,742,659	448,429,883

Report of the Directors

Major Customers and Suppliers

The turnover attributable to the five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for 42.0% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 16.2% of the Group's total purchases for the year.

To the best knowledge of the directors, none of the directors of the Company, their associates, or any shareholders who own more than 5% of the Company's issued share capital had any beneficial interest at any time during the year in the Group's five largest suppliers.

Investment Properties and Property, Plant and Equipment

Details of movements in the investment properties, and property, plant and equipment of the Company and of the Group during the year are set out in notes 11 and 12 to the financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 22 and 23, respectively, to the financial statements.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 24 to the financial statements and in the consolidated summary statement of changes in equity.

Distributable Reserves

The Company's capital reserve in the amount of HK\$357,784,733 may be distributed upon the fulfillment of certain conditions as set out in note 24 to the financial statements. In addition, the Company's share premium account, in the amount of HK\$19,189,283, may be distributed in the form of fully paid bonus shares. Save as disclosed aforesaid, as at 31 December 2002, the Company had no reserve available for distribution in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance.

Directors

The directors of the Company during the year were:

Executive directors:

Dr. Stanley Ho

Mr. Lawrence Ho

Mr. Peter So

Mr. Frank Tsui

Madam Lucina Laam King Ying (resigned on 28 June 2002)

Mr. Ho Cheuk Yuet (resigned as an executive director on 11 February 2002)

Non-executive directors:

Mr. Ho Cheuk Yuet (appointed on 11 February 2002)

Madam Winnie Ho Yuen Ki (ceased to be a director on 9 April 2002)

Independent non-executive directors:

Sir Roger Lobo

Mr. Robert Kwan

Mr. Roque Choi (resigned on 8 April 2002)

Subsequent to the balance sheet date, on 26 February 2003, Mr. Ng Ching Wo was appointed as an independent non-executive director of the Company.

In accordance with article 103 of the Company's articles of association, Mr. Lawrence Ho, Mr. Frank Tsui and Mr. Robert Kwan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with article 94 of the Company's articles of association, any director who has been appointed to fill a causal vacancy or as an addition to the board shall hold office only until the forthcoming annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting. In this regard, Mr. Ng Ching Wo will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Mr. Lawrence Ho has a service contract with the Company commencing on 5 November 2001 which is subject to termination by either party giving not less than three months' written notice. Mr. Frank Tsui has a service contract with the Company commencing on 1 October 2002 which is subject to termination by either party giving not less than three months' written notice.

Apart from the foregoing, 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.

Report of the Directors

Directors' Interests in Shares

As at 31 December 2002, the beneficial interests of the directors and their associates in the issued share capital of the Company or its associated corporations, as recorded in the register required to be maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Number of ordinary shares held and nature of interests		
	Personal	Family	Corporate*
Dr. Stanley Ho	8,216,185	214,727	1,585,000
Mr. Lawrence Ho	–	–	36,525,675

* Dr. Stanley Ho has beneficial interests in Sharikat Investments Ltd. and Dareset Ltd. which beneficially owned 500,000 and 1,085,000 shares, respectively, in the Company.

Mr. Lawrence Ho has beneficial interests in Lasting Legend Limited which beneficially owned 36,525,675 shares in the Company.

The interests of directors in share options of the Company are separately disclosed in note 23 to the financial statements.

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

Directors' Right to Acquire Shares or Debentures

Save as disclosed under the heading "Share Option Scheme" below and in note 23 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Scheme

Due to the adoption during the year of Statement of Standard Accounting Practice No. 34 "Employee benefits", most of the detailed disclosures relating to the Company's share option scheme have been moved to note 23 to the financial statements.

Concerning the share options granted during the year to the directors, employees and others, as detailed in note 23 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because in the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of the share options.

Directors' Interests in Contracts

Save as disclosed in note 29 to the financial statements, no director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Substantial Shareholders

As at 31 December 2002, according to the register maintained pursuant to Section 16(1) of the SDI Ordinance, the following shareholders were interested in 10% or more of the issued share capital of the Company.

Name	Number of shares of the Company	Percentage of the Company's issued capital
Shun Tak Shipping Company Limited	26,055,432	17.9
Lasting Legend Limited	36,525,675	25.1

Save as disclosed herein and other than the interests of the Company's directors and companies controlled by them as disclosed under the heading "Directors' Interests in Shares" above, the Company's directors and the chief executive of the Company do not know of any person who, as at 31 December 2002, was directly or indirectly interested in 10% or more of the issued share capital of the Company or in any interest which was required to be recorded under Section 16(1) of the SDI Ordinance.

Purchase, Redemption or Sale 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.

Directors' Interests in Competing Businesses

Dr. Stanley Ho, Madam Winnie Ho Yuen Ki and Madam Lucina Laam King Ying, have direct or indirect beneficial interests in Shun Tak Holdings Limited, its subsidiaries and associates (the "Shun Tak Group") as shareholders. In addition, Dr. Stanley Ho and Madam Winnie Ho Yuen Ki have beneficial interests in Sociedade de Turismo e Diversões de Macau, its subsidiaries and associates (the "STDM Group") as shareholders. Further, Dr. Stanley Ho is a director of the Shun Tak Group and the STDM Group.

During the year and up to the date of this report, the businesses of property investment and hospitality (which includes restaurant operations) carried out by the Shun Tak Group and the STDM Group were considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Dr. Stanley Ho is actively involved in the management of the Shun Tak Group.

Dr. Stanley Ho is also actively involved in the management of the STDM Group which operates principally outside Hong Kong.

Report of the Directors

Directors' Interests in Competing Businesses (continued)

As the board of directors of the Company is independent of the boards of the Shun Tak Group and the STDM Group, the Group is therefore capable of carrying on such businesses independently of, and at an arm's length from the businesses of these companies.

Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 30 to the financial statements.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

Audit Committee

The Company has an audit committee which was established in accordance with requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. During the year, the audit committee comprises the two independent non-executive directors of the Company who are Sir Roger Lobo and Mr. Robert Kwan. Subsequent to the balance sheet date, on 7 March 2003, Mr. Ng Ching Wo was appointed as a member of the audit committee.

Auditors

Ernst & Young will retire at the forthcoming annual general meeting. A resolution for the appointment of PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. Stanley Ho

Group Executive Chairman

Hong Kong
2 April 2003