

## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in note 16 and 18 to the financial statements respectively.

### CHANGE OF NAME

Pursuant to a special resolution passed at an extraordinary meeting held on 19th August, 2002, the name of the Company was changed from Sing Tao Holdings Limited to Shanghai Ming Yuan Holdings Limited.

### CHANGE OF SUBSTANTIAL SHAREHOLDER

In August, 2002, Mr. Charles Ho Tsu Kwok and his associates, the Company's former substantial shareholders which held 312,624,443 ordinary shares ("Shares"), representing approximately 74.5% interest in the Company, entered into agreements with Ming Yuan Investments Group Limited to dispose of their Shares to Ming Yuan Investments Group Limited.

Upon the completion of the disposal of Shares in the Company, on 23rd August, 2002, Mr. Charles Ho Tsu Kwok and his associates had no interests in the Company and Ming Yuan Investments Group Limited was required to make a mandatory general offer to acquire all the shares in the Company not already owned by it. Following the close of the general offer, Ming Yuan Investments Group Limited held an approximately 77.8% interest in the Company which was subsequently reduced to 74.5% by placement of shares.

Accordingly, there was a change in the substantial shareholders of the Company, and details of the substantial shareholders as at 31st December, 2002 are disclosed under the heading "Substantial Shareholders".

### RESULTS

Details of the Group's results for the year ended 31st December, 2002 are set out in the consolidated income statement on page 18.

### SHARE CAPITAL

There were no changes in the Company's share capital during the year.

## DIRECTORS' REPORT

### RESERVES

During the year, the Company carried out a reserve reorganisation whereby the entire balance of the Company's share premium account and capital redemption reserve account as at 31st December, 2001 were transferred to contributed surplus account of the Company. Details of these are set out in the circular issued by the Company dated 27th July, 2002.

Details of changes in the reserves of the Company during the year are set out in note 28 to the financial statements.

### INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of changes in the investment properties and property, plant and equipment of the Group and the Company during the year are set out in notes 12 and 13 to the financial statements, respectively.

### DIRECTORS

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

#### Executive directors:

Mr. Yao Yuan – <i>Executive Chairman</i>	(appointed on 30th August, 2002)
Mr. Chien Hoe Yong, Henry	(appointed on 30th August, 2002)
Mr. Hu Jun	(appointed on 30th August, 2002)
Mr. Morris Ho Kwok Fai	(appointed on 24th April, 2002 and resigned on 28th September, 2002)
Mr. Charles Ho Tsu Kwok	(resigned on 28th September, 2002)
Mr. Wong Wai Ming	(resigned on 28th September, 2002)
Ms. Miranda Chan Kwai Yin	(resigned on 28th September, 2002)
Miss Judy Inn	(resigned on 28th September, 2002)
Mr. Lo Wing Hung	(resigned on 28th September, 2002)
Mr. Nigel Ian Oakins	(resigned on 7th January, 2002)
Mr. Yim Lui Fai, Gerry	(resigned on 28th May, 2002)

#### Independent non-executive directors:

Mr. Lam Lee G.	(appointed on 13th September, 2002)
Mr. Yap Kah On	(appointed on 13th September, 2002)
Ms. Chiang Su Hui, Susie	(appointed on 13th September, 2002)
Mr. Stephen Fan Sheung Tak	(resigned on 28th September, 2002)
Dr. Paul Tong Yuk Lun	(resigned on 28th September, 2002)
Mr. Tung Chee Chen	(resigned on 28th September, 2002)
Mr. Yao Kang	(resigned on 28th September, 2002)

## DIRECTORS' REPORT

### DIRECTORS (Continued)

In accordance with Bye-law 100 of the Company, all remaining directors appointed by the board after the conclusion of the last annual general meeting, will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company and or any of its subsidiaries which is not determinable by the Group within one year within payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2002, the interests of the directors of the Company and their associates in the share capital of the Company and its associated corporations within the meaning of 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 or as otherwise notified to the Company and to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

#### (1) The Company

Name of director	Number of ordinary shares held (Note 1)			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Yao Yuan	–	–	312,624,443 (Note 2)	–

Notes:

1. Share(s) of HK\$0.25 each in the capital of the Company.
2. The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, of which 50% is held by Mr. Yao Yuan.

Save as disclosed above, as at 31st December, 2002, none of the Company's directors or their associate had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

The Company has a share option scheme which was adopted by the Company on 3rd September, 1999. Details of the scheme are set out in note 29 to the financial statements.

As explained in note 2 to the financial statements, the present directors do not have sufficient information relating to the movements of the share options prior to 23rd August, 2002. The following movement of the share options granted to the former directors are prepared based on the information of published unaudited interim report for the six months ended 30th June, 2002 issued by the Company dated 27th September, 2002 and circular issued by the Company dated 13th September, 2002. No options were granted to the present directors since 23rd August, 2002 and no options were held by the present directors as at 31st December, 2002.

#### Ex-directors

Name of ex-directors	Exercisable period	Exercise price HK\$ (Note 1)	Number of shares subject to option	Number of shares under option				
				Outstanding at 1.1.2002	Granted during the year	Exercised during the year	Surrendered/lapsed during the year (Note 2)	Outstanding at 31.12.2002
Wong Wai Ming	30.8.2002 to 2.9.2009	0.344	up to 3,000,000	6,000,000	-	-	(6,000,000)	-
	30.8.2003 to 2.9.2009	0.344	up to 6,000,000					
Judy Inn	30.8.2002 to 2.9.2009	0.344	up to 1,250,000	2,500,000	-	-	(2,500,000)	-
	30.8.2003 to 2.9.2009	0.344	up to 2,500,000					
Lo Wing Hung	30.8.2002 to 2.9.2009	0.344	up to 1,500,000	3,000,000	-	-	(3,000,000)	-
	30.8.2003 to 2.9.2009	0.344	up to 3,000,000					
Miranda Chan Kwai Yin	1.12.2001 to 2.9.2009	0.344	up to 450,000	2,500,000	-	-	(2,500,000)	-
	19.4.2002 to 2.9.2009	0.344	up to 900,000					
	30.8.2002 to 2.9.2009	0.344	up to 1,250,000					
	1.3.2003 to 2.9.2009	0.344	up to 1,875,000					
	30.8.2003 to 2.9.2009	0.344	up to 2,500,000					
Nigel Ian Oakins	30.8.2002 to 2.9.2009	0.344	up to 500,000	1,000,000	-	-	(1,000,000)	-
	30.8.2003 to 2.9.2009	0.344	up to 1,000,000					
Gerry Yim Lui Fai	30.8.2002 to 2.9.2009	0.344	up to 1,250,000	2,500,000	-	-	(2,500,000)	-
	30.8.2003 to 2.9.2009	0.344	up to 2,500,000					
				17,500,000	-	-	(17,500,000)	-

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE *(Continued)*

*Notes:*

1. Following the completion of reserve reorganisation as more fully described in the circular issued by the Company dated 27th July, 2002, the exercise price was adjusted from HK\$0.845 to HK\$0.344.
2. Following the completion of acquisition of shares of the Company by Ming Yuan Investments Group Limited, all the above grantees accepted the general offer made by Ming Yuan Investments Group Limited to renounce their respective rights to subscribe for shares in the Company for a consideration of HK\$0.18 for each option share. Detail of these are set out in circular issued by the Company dated 13th September, 2002.

Other than the share option scheme as described above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the present directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the present directors nor their chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe for the equity or debt securities of the Company, or had exercised any such rights during the year.

### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, the following persons were recorded in the register kept by the Company under Section 16 of the SDI Ordinance as being interested in shares representing 10% or more of the issued share capital of the Company:

Name	Number of shares	Approximate shareholding percentage
Ming Yuan Investments Group Limited	312,624,443	74.5%
Ming Yuan Holdings Limited	312,624,443	74.5%
Mr. Yao Yuan	312,624,443	74.5%
Mr. Lu Chung	312,624,443	74.5%

*Note:* The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, which in turn is owned as to 50% and 50% by Mr. Yao Yuan and Mr. Lu Chung respectively.

Save as disclosed above, the Company had not been notified of any other interest representing 10 percent or more of the issued share capital of the Company as at 31st December, 2002.

## DIRECTORS' REPORT

### MAJOR CUSTOMERS AND SUPPLIERS

As explained in note 2 to the financial statements, the present directors do not have accounting records and supporting vouchers relating to the Group for the period from 1st January, 2002 to 22nd August, 2002. Accordingly, information on the Group's major customers and suppliers is not presented.

### CORPORATE GOVERNANCE

The present directors are unable to form an opinion as to whether the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period from 1st January, 2002 to 22nd August, 2002.

In the opinion of the present directors, the Company has complied throughout the period from 23rd August, 2002 to 31st December, 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that non-executive directors are not appointed for a specific term but are subject to rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of the subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

### POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 38 to the financial statements.

### AUDITORS

During the year, Messrs. Ernst & Young, who acted as auditors of the Company for the nine-months period ended 31st December, 2001 and the year ended 31st March, 2001, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company to fill the casual vacancy. A resolution will be submitted at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company for the coming year.

On behalf of the Board

**Mr. Yao Yuan**

*Executive Chairman*

29th April, 2003