

## Report of the Directors ▶

The directors herein 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 during the year consisted of property investment and management. There were no significant 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 at that date are set out in the financial statements on pages 19 to 59.

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 of the assets and liabilities of the Group for the last five financial years is set out on page 62 of this annual report. This summary is not part of the audited financial statements.

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 14 to the financial statements. Particulars of the major properties of the Group as at the balance sheet date are set out on pages 60 to 61 of this annual report.

### SHARE OPTIONS

Details of movements in the Company's share options during the year, together with the reasons therefor, are set out in note 24 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 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

At 31 December 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$344,199,000. In addition, under the laws of Bermuda, the Company's share premium account, in the amount of HK\$192,744,000, may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. Sales to the five largest customers accounted for 36% of the total sales for the year and sales to the largest customer included therein amounted to 8%.

As far as the directors are aware, neither the directors, their associates, nor any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's share capital, had any interest in the five largest customers.

## DIRECTORS

The directors of the Company during the year were as follows:

### Executive directors:

Wang Qinghai (*Chairman*)

Cao Zhong (*Vice-Chairman*)

Chen Zhouping (appointed on 6 February 2002 and resigned on 15 November 2002)

Luo Zhenyu (appointed on 1 March 2002)

Li Shaofeng (appointed on 15 November 2002)

Xu Xianghua (appointed on 15 November 2002)

Zhang Yanjun (resigned on 6 February 2002)

### Non-executive director:

Leung Shun Sang, Tony

### Independent non-executive directors:

Choy Hok Man, Constance

Tam King Ching, Kenny

In accordance with clauses 99(A) and 102(B) of the Company's bye-laws, Li Shaofeng, Xu Xianghua, Choy Hok Man, Constance and Tam King Ching, Kenny will retire from office and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## 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 other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Company to which the Company or any of its holding companies, fellow subsidiaries, subsidiaries, jointly-controlled entity and associates was a party during the year.

## DIRECTORS' INTERESTS IN SHARES

None of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

The interests of the directors in the share options of the Company are separately disclosed in note 24 to the financial statements.

## SHARE OPTIONS

Due to the adoption during the year of the Statement of Standard Accounting Practice 34 "Employee benefits", certain of the disclosures relating to the Company's share option scheme have been moved to note 24 to the financial statements.

Concerning the share options granted during the year to the directors, employees and a consultant, as detailed in note 24 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the options granted because the board of directors believes that any calculation of the value of the options based on a great number of speculative assumptions may not be meaningful and could be misleading to the shareholders of the Company.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme noted above, at the balance sheet date, the interests of the directors and their associates in the share capital of the Company and 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") were as follows:

Name of director	Name of corporation in which interest is held	Number of shares under option	Nature of interest
Cao Zhong	Shougang Concord Technology Holdings Limited ("Shougang Technology") (Note)	8,026,000	Personal
Li Shaofeng	Shougang Technology (Note)	8,026,000	Personal
Xu Xianghua	Shougang Technology (Note)	8,026,000	Personal
Leung Shun Sang, Tony	Shougang Technology (Note)	4,816,000	Personal
Choy Hok Man, Constance	Shougang Technology (Note)	400,000	Personal

Note: The Company beneficially owned 46.3% of Shougang Technology. The options to subscribe for shares of HK\$0.25 each in the capital of Shougang Technology are exercisable at any time during the period from 15 November 2002 to 14 November 2012 at an exercise price of HK\$0.58 per share, subject to adjustment.

Subsequent to the balance sheet date, on 14 March 2003, Shougang Technology granted 9,243,000 share options to certain of the above directors to subscribe for shares of HK\$0.25 each in the capital of Shougang Technology exercisable at any time from 14 March 2003 to 13 March 2013 at an exercise price of HK\$0.495 per share, subject to adjustment.

Save as above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries, subsidiaries, jointly-controlled entity and associates a party to any arrangement to enable the directors or 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.

## Report of the Directors ▶

**SUBSTANTIAL SHAREHOLDERS**

At the balance sheet date, 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:

<b>Name</b>	<i>Notes</i>	<b>Number of shares held</b>	<b>%</b>
Wheeling Holdings Limited	(i)	430,491,315	52
Shougang Holding (Hong Kong) Limited ("Shougang HK")	(i)	430,491,315	52
Cheung Kong (Holdings) Limited ("CKH")	(ii), (iii)	133,048,717	16
Max Same Investment Limited	(iii)	91,491,193	11

*Notes:*

- (i) Wheeling Holdings Limited is a wholly-owned subsidiary of Shougang HK and its interests above are in respect of the same interests held by Shougang HK. Shougang HK is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise in Mainland China.
- (ii) By virtue of their interests in CKH, the following person and companies are each deemed to be interested in the 133,048,717 shares held by CKH:
- Mr. Li Ka Shing  
Li Ka-Shing Unity Holdings Ltd.  
Li Ka-Shing Unity Trustee Company Ltd.  
Li Ka-Shing Unity Trustee Corporation Ltd.
- (iii) Max Same Investment Limited is a wholly-owned subsidiary of CKH and its interests above are included in the interests held by CKH.

Subsequent to the balance sheet date, Shougang HK placed 30,000,000 shares to an independent third party (the "Placing") and the Company issued and allotted 30,000,000 new shares to Shougang HK (the "Subscription"). Further details of the Placing and the Subscription are set out in note 32 to the financial statements. The shareholding of Shougang HK in the issued share capital of the Company was reduced from approximately 52% to approximately 48.38% upon completion of the Placing but before completion of the Subscription and was increased from approximately 48.38% to approximately 50.18% upon completion of the Placing and the Subscription. The shareholding of CKH in the issued share capital of the Company was reduced from approximately 16.07% to approximately 15.51% upon completion of the Placing and the Subscription.

Save as disclosed above, no person 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.

## 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 its existing shareholders.

## 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.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 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 of The Stock Exchange of Hong Kong Limited throughout the year, 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 and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

## AUDIT COMMITTEE

The Company had an audit committee in accordance with paragraph 14 of the Code throughout the accounting period covered by the annual report. The audit committee meets at least twice a year and has written terms of reference.

## 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

**Cao Zhong**

*Vice-Chairman*

Hong Kong

16 April 2003