

# Report of the Directors

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2002.

## Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

The Company will continue to identify suitable projects and investment opportunities for possible diversifications. In addition, it will continue to identify suitable properties and development opportunities for acquisition.

An analysis of the Group's performance for the year by business segments is set out in Note 4 to the financial statements.

## Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 19.

The directors do not recommend the payment of a dividend.

## Fixed Assets

Details of movements in fixed assets of the Company and the Group are set out in Note 14 to the financial statements.

## Principal Properties

Details of the principal properties held for resale are set out on page 64.

## Bank and Other Borrowings

Particulars of bank and other borrowings of the Company and the Group at 31 December 2002 are set out in Notes 21 and 22 to the financial statements.

## Debentures

Particulars of debentures of the Company and the Group at 31 December 2002 are set out in Note 23 to the financial statements.

## Share Capital

Details of the movements in share capital of the Company are set out in Note 24 to the financial statements.

## Reserves

Movements in the reserves of the Company and the Group during the year are set out in Note 25 to the financial statements.

## Distributable Reserves

Distributable reserves of the Company at 31 December 2002, calculated under section 79B of the Company Ordinance, amounted to HK\$Nil (2001: HK\$Nil).

## Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Hong Kong.

## Purchase, Sale or Redemption of Shares

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## Five Year Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 63.

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## Directors

The directors who held office during the year were:

### *Executive Directors*

Mr. Ha Shu Tong

Mr. Cheung Chung Leung, Richard

Mr. Ng Chun Chuen, David

Mr. Ling Kit Wah, Joseph (resigned on 1 November 2002)

### *Independent Non-executive Directors*

Mr. Chan Wai Sum

Mr. Tang Chi Wing (appointed on 25 March 2002)

Ms. Tam Chi Ling, Elaine (retired on 28 June 2002)

### *Non-executive Directors*

Mr. Tang Hung

Mr. Wong Chi Keung (retired on 28 June 2002)

In accordance with article 116 of the Company's articles of association, Mr. Cheung Chung Leung, Richard and Mr. Tang Hung retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## Directors' Service Contracts

The appointments of the present non-executive directors including independent directors are not for specific terms. They are subject to retirement by rotation in accordance with the Company's articles of association.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

## Directors' Interests in Shares

At 31 December 2002, the interests of the directors of the Company in the shares of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under Section 29 to the SDI Ordinance or as notified to the Company were as follows:

| Beneficial interests                              | Personal interest | Number of Ordinary shares of HK\$0.1 each |                     |                 |
|---|-------------------|---|---------------------|-----------------|
|   |                   | Family interest                           | Corporate interests | Other interests |
| Singapore Hong Kong Properties Investment Limited |                   |   |                     |                 |
| Mr. Cheung Chung Leung, Richard                   | 2,110,622         | -   | -                   | -               |

Details of share options granted to the directors are shown in Share Options below.

## Share Options

Pursuant to a share option scheme approved at the annual general meeting of the Company held on 28 August 1999, the directors may at their discretion grant options to purchase ordinary shares in the Company at HK\$1 per grantee to the executive directors and employees of the Company. The exercise price of the option shares shall be at a price equal to the higher of the nominal value of the shares from time to time and 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five business days immediately preceding the date of grant of such options. Each option gives the holder the right to subscribe for one share.

Details of the movement of the share options previously granted during the year are as follows:

|                                 | Number of options      |                           |                        |                          | Exercise price HK\$ | Grant date       | Exercisable from | Exercisable until |
|---------------------------------|------------------------|---------------------------|------------------------|--------------------------|---------------------|------------------|------------------|-------------------|
|                                 | held at 1 January 2002 | exercised during the year | lapsed during the year | held at 31 December 2002 |                     |                  |                  |                   |
| Mr. Cheung Chung Leung, Richard | 70,000,000             | 62,237(i)                 | 69,937,763             | -                        | 0.025               | 29 December 1999 | 29 December 1999 | 28 December 2002  |

(i) Exercise date was 21 November 2002. At the date before the options were exercised, the market value per share was HK\$0.01.

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Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or any of their spouses 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.

### Directors Interests in Contracts

No contract of significance to which the Company or any of its subsidiaries was a party, in which a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

### Directors' Interests in Competing Business

None of the directors or the management shareholders (as defined in the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Main Board Listing Rules")) of the Company had an interest in a business which competes or may compete with the business of the Group.

### Substantial Shareholders

The Company has not been notified of any interests in the Company's issued shares at 31 December 2002 amounting to 10% or more of the ordinary shares in issue as recorded in the register required to be kept under section 16(1) of the SDI Ordinance.

### Management Contracts

No 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.

### Mandatory Provident Fund

Details of the Mandatory Provident Fund are set out in Note 11 to the financial statements.

### Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

|                                     |     |
|-------------------------------------|-----|
| The largest customer                | 39% |
| Five largest customers in aggregate | 91% |
| The largest supplier                | nil |
| Five largest suppliers in aggregate | nil |

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major customers and suppliers noted above.

## Compliance with the Code of Best Practice of the Main Board Listing Rules

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Main Board Listing Rules, except that the independent non-executive directors are not appointed for a specific term and no audit committee member was appointed during the period from 1 January 2002 to 19 March 2002.

## Audit Committee

The Company has established an audit committee in September 1999 with written terms of reference based on the guidelines set out in "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has met two times during the year.

The audit committee members who held office during the year were:

|                   |                              |
|-------------------|------------------------------|
| Mr. Ha Shu Tong   | (appointed on 20 March 2002) |
| Mr. Chan Wai Sum  | (appointed on 20 March 2002) |
| Mr. Tang Chi Wing | (appointed on 25 March 2002) |

## Auditors

In July 2000, KPMG, tendered their resignation as the Company's auditors. Subsequently, RSM Nelson Wheeler were appointed as auditors of the Company in December 2000.

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming annual general meeting.

By order of the board  
**Ha Shu Tong**  
*Managing Director*

Hong Kong SAR, 25 April 2003