

## **DIRECTORS' REPORT**

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

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 14 to the financial statements.

### **CHANGE IN SUBSTANTIAL SHAREHOLDERS**

On 22nd July, 2002, Continental Mariner Investment Company Limited, a former substantial shareholder of the Company, entered into a sale and purchase agreement (the "S&P Agreement") with Mr. Suen Cho Hung, Paul and Top Media Resources Limited, pursuant to which Continental Mariner Investment Company Limited agreed to dispose of 358,157,745 ordinary shares representing approximately 29.5% of the issued share capital of the Company to Top Media Resources Limited at a consideration of HK\$256 million in cash. Top Media Resources Limited is wholly owned by All Sino Resources Limited, which in turn is wholly owned by Mr. Suen Cho Hung, Paul.

Upon completion of the S&P Agreement, Top Media Resources Limited, All Sino Resources Limited and Mr. Suen Cho Hung, Paul have become the substantial shareholders of the Company. Accordingly, there was a change in the substantial shareholders of the Company, and the details of the substantial shareholders as at 31st December, 2002 are disclosed in the section under the heading "Substantial Shareholders".

### **RESULTS**

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 17.

### **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial year/period is set out on page 53.

### **SHARE CAPITAL**

There were no changes in the issued share capital of the Company during the year.

### **RESERVES**

Details of the movements during the year in the reserves of the Group and the Company are set out in note 25 to the financial statements.

The Company had no distributable reserve at 31st December, 2002.

### **INVESTMENT PROPERTIES**

At 31st December, 2002, the investment properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis. The deficit of HK\$4,216,000 arising on the revaluation has been charged to the income statement.

Details of these and other movements during the year in the investment properties of the Group are set out in note 11 to the financial statements.

## **DIRECTORS' REPORT** *(Continued)*

### **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$10 million for the purpose of expanding the Group's business.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 12 to the financial statements.

### **PRINCIPAL SUBSIDIARIES, ASSOCIATE AND JOINTLY CONTROLLED ENTITY**

On 31st October, 2002, the Group entered into an agreement to acquire the entire issued share capital of Citi Merit Limited ("Citi Merit") and a shareholder's loan of HK\$251,655,760 payable by Citi Merit at an aggregate consideration of HK\$251,965,760 in cash. Citi Merit holds 80% of the issued share capital of Success Harbour International Limited which in turn holds 46.29% equity interest in Xi'an Gaoxin Hospital Co., Ltd.

Xi'an Gaoxin Hospital Co., Ltd. is a sino-foreign equity joint venture established in the People's Republic of China (the "PRC") and is principally engaged in the provision of hospital services including medical consultation, health care and related consultation services in the PRC.

Completion of the aforesaid transaction took place on 13th November, 2002.

Details of the Company's principal subsidiaries, associate and jointly controlled entity at 31st December, 2002 are set out in notes 14, 15 and 16 to the financial statements, respectively.

### **DIRECTORS**

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

#### **Executive directors:**

Suen Cho Hung, Paul ( <i>Chairman &amp; Managing Director</i> )	(appointed on 22nd July, 2002)
Lau Yuen Sun, Adrian	(appointed on 22nd July, 2002)
Wang Ai Ping	(appointed on 22nd July, 2002)
Cao Jian An	(appointed on 25th September, 2002)
Li Zhicai	(appointed on 18th March, 2003)
Ling Wai Kwan, Eric	(appointed on 22nd July, 2002 and resigned on 6th January, 2003)
Wang Jun	(resigned on 22nd July, 2002)
He Ping	(resigned on 22nd July, 2002)
Li Shi Liang	(resigned on 22nd July, 2002)
Xie Da Tong	(resigned on 22nd July, 2002)
Li Tong Zhou	(resigned on 22nd July, 2002)

**DIRECTORS' REPORT** (Continued)**DIRECTORS** (Continued)**Independent non-executive directors:**

Sun Ka Ziang, Henry	(appointed on 22nd July, 2002)
Kwok Ming Fai	(appointed on 22nd July, 2002)
Seto Gin Chung, John	(resigned on 22nd July, 2002)
Fung Wing Cheung, Tony	(resigned on 22nd July, 2002)
Zhuang Shoucang	(resigned on 22nd July, 2002)
Ip Chun Chung, Robert	(resigned on 22nd July, 2002)
Lam Tak Shing	(resigned on 22nd July, 2002)

In accordance with Article 96 of the Company's Articles of Association, Mr. Suen Cho Hung, Paul, Mr. Lau Yuen Sun, Adrian, Ms. Wang Ai Ping, Mr. Cao Jian An, Mr. Li Zhicai, Mr. Sun Ka Ziang, Henry and Mr. Kwok Ming Fai shall hold office until the forthcoming annual general meeting and being eligible, offer themselves for re-election.

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

**DIRECTORS' INTERESTS IN SECURITIES**

At 31st December, 2002, the interests of the directors and their associates in the share capital of the Company or 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:

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of ordinary shares held</b>
Suen Cho Hung, Paul	Corporate	358,157,745

These shares are held by Top Media Resources Limited, a company wholly owned by All Sino Resources Limited which in turn is wholly owned by Mr. Suen Cho Hung, Paul.

Save as disclosed above, as of 31st December, 2002, none of the directors, the chief executives or their associates, had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in note 24 "Share Option Scheme" to the financial statements, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the 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 none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

**DIRECTORS' REPORT** (Continued)**SUBSTANTIAL SHAREHOLDERS**

At 31st December, 2002, according to the register of substantial shareholders maintained by the Company under 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 of shareholders	Number of ordinary shares held	Percentage of the issued share capital of the Company
Top Media Resources Limited	358,157,745	29.5%
All Sino Resources Limited	358,157,745	29.5%
Suen Cho Hung, Paul	358,157,745	29.5%

*Note:* Top Media Resources Limited is wholly owned by All Sino Resources Limited which in turn is wholly owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and All Sino Resources Limited are deemed to be interested in 358,157,745 shares of the Company under the SDI Ordinance.

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

**CONNECTED TRANSACTIONS**

Details of the discloseable connected transactions during the year are set out in note 31 to the financial statements. Save as disclosed therein, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The independent non-executive directors have reviewed the connected transactions in respect of the sales of chemical fibres to HCF Group and its affiliates as set out in note 31(A)(b) to the financial statements. In their opinion, these transactions were entered into by the Group:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (iii) in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to third parties; and
- (iv) within the relevant limits approved by the Stock Exchange.

**DIRECTORS' INTERESTS IN CONTRACTS**

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

**DIRECTORS' REPORT** *(Continued)***MANAGEMENT CONTRACT**

Management agreements had been entered into between the Company and CMIC Management Services Limited, a subsidiary of Continental Mariner Investment Company Limited, for the provision of general corporate management and consultancy services to the Company for the period up to 30th September, 2002.

Save as disclosed above, 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.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

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

**MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total sales and purchases respectively.

**CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied throughout the year ended 31st December, 2002 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's Articles of Association.

**POST BALANCE SHEET EVENT**

Details of a significant post balance sheet event are set out in note 33 to the financial statements.

**AUDITORS**

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Suen Cho Hung, Paul**

*Chairman & Managing Director*

Hong Kong, 23rd April, 2003