

## Directors' Report

The Directors present their annual report together with the audited financial statements of the Group for the year ended 31 December 2002.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 48 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 47 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 21 of the financial statements.

No interim dividend was declared or paid during the year. The directors do not recommend the payment of a final dividend for the year ended 31 December 2002.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements during the year in the property, plant and equipment and investment properties of the Group and the Company are set out in notes 14 and 15 to the financial statements, respectively.

### SHARE CAPITAL

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

## Directors' Report

### DIRECTORS

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

#### *Executive directors:*

Mr. Ng Hung Sang, Robert (*Chairman*)

Ms. Cheung Choi Ngor, Christina

(*Vice-chairman and Chief Executive Officer*)

Mr. Richard Howard Gorges (*Vice-chairman*)

Ms. Ng, Jessica Yuk Mui

(appointed on 17 June 2002)

Mr. Ng Yuk Fung, Peter

(appointed on 17 June 2002)

Mr. Lo Kwok Choi

(resigned on 17 June 2002)

Mr. Lee Lap Tak

(resigned on 17 June 2002)

#### *Non-executive director:*

Mr. Tan Boon Seng

#### *Independent non-executive directors:*

Mr. Lee Wai Choi, Albert

Mr. Chiu Sin Chun

In accordance with Article 116 of the Company's Articles of Association, Mr. Ng Hung Sang, Robert, Mr. Richard Howard Gorges and Mr. Tan Boon Seng will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 99 of the Company's Articles of Association, Ms. Ng, Jessica Yuk Mui and Mr. Ng Yuk Fung, Peter will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The non-executive directors (including the independent non-executive directors) have no fixed term of office and will be subject to retirement by rotation and re-election at the annual general meeting of the Company according to the Company's Articles of Association.

### DIRECTORS' SERVICE CONTRACTS

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

## Directors' Report

### DIRECTORS' INTERESTS IN SHARES AND WARRANTS

As at 31st December, 2002, the interests of the Directors of the Company and their respective associates in the shares and warrants of the Company and its associated corporations (as defined in 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:

	Number of ordinary shares		Number of warrants	
	Personal interests	Corporate interests	Personal interests	Corporate interests
(i) The Company				
Mr. Ng Hung Sang, Robert ("Mr. Ng") (Note a)	—	396,389,357	—	—
(ii) South China Holdings Limited ("SCH") (Note b)				
Mr. Ng (Note c)	71,587,200	1,272,529,612	14,317,440 (Note d)	254,505,922 (Note d)
Ms. Cheung Choi Ngor, Christina ("Ms. Cheung") (Note c)	—	487,949,760	—	97,589,952 (Note d)
Mr. Richard Howard Gorges ("Mr. Gorges") (Note c)	—	487,949,760	—	97,589,952 (Note d)
(iii) South China Brokerage Company Limited ("SCB") (Note e)				
Mr. Ng	7,378,000	—	1,475,600 (Note f)	—
Mr. Gorges	16,174,000	—	3,234,800 (Note f)	—
(iv) The Express News Limited ("Express News") (Note g)				
Mr. Ng (Note h)	—	30	—	—
(v) South China Financial Credits Limited ("SCFC") (Note i)				
Mr. Ng Yuk Fung, Peter	250,000	—	—	—

## Directors' Report

*Notes:*

- (a) Mr. Ng is deemed to be interested in 396,389,357 shares of the Company beneficially owned by SCH by virtue of his aggregate interests in SCH as set out in Note (c) below.
- (b) SCH is the ultimate holding company of the Company.
- (c) Mr. Ng, Ms. Cheung and Mr. Gorges, through companies wholly-owned and controlled by them, have interests in 487,949,760 shares and 97,589,952 warrants in SCH. Mr. Ng personally owns 71,587,200 shares and 14,317,440 warrants and through companies wholly-owned and controlled by him, beneficially owns 784,579,852 shares and 156,915,970 warrants in SCH.
- (d) The SCH's warrants will expire on 23 July 2003.
- (e) SCB is a 74.74% owned subsidiary of SCH.
- (f) The SCB warrants will expire on 21 June 2003.
- (g) Express News is a 70% owned subsidiary of SCH.
- (h) Mr. Ng and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Express News.
- (i) SCFC is a 100% owned subsidiary of SCH.

Save as disclosed above, none of the Directors or Chief Executive nor their respective associates had any interests in any securities of the Company or its associated corporations as defined in the SDI Ordinance as at 31 December 2002.

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### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

The directors and employees of the Company and its subsidiaries are entitled to participate in the share options schemes of the Company, its holding company and fellow subsidiary. Particulars of these schemes are set out in note 44 to the financial statements. The following tables summarise the movements of the options granted under these schemes, so far as the directors of the Company are concerned.

(i) *Share option scheme adopted by the Company on 10 August 1992*

Director	Month of grant	Exercise period	Exercise price HK\$	Number of underlying shares comprised in the Company's share options		
				Outstanding at 1.1.2002	Lapsed during the year	Outstanding at 31.12.2002
Mr. Ng	December 1993	23.12.1994 to 9.8.2002	1.18	13,000,000	(13,000,000)	—
Ms. Cheung	December 1993	23.12.1994 to 9.8.2002	1.18	13,000,000	(13,000,000)	—
Mr. Gorges	December 1993	23.12.1994 to 9.8.2002	1.18	13,000,000	(13,000,000)	—
				39,000,000	(39,000,000)	—

(ii) *Share option scheme adopted by the Company on 31 May 2002*

No share options were granted or exercised under this scheme since its adoption.

## Directors' Report

### (iii) Share option scheme adopted by SCH on 29 July 1992

Director	Month of grant	Exercise period	Exercise price HK\$	Number of underlying shares comprised in SCH's shares options		
				Outstanding at 1.1.2002	Lapsed during the year	Outstanding at 31.12.2002
Mr. Ng	July 1992	29.7.1993 to 28.7.2002	1.36	13,796,000	(13,796,000)	—
	July 1995	22.7.1996 to 28.7.2002	0.88	3,000,000	(3,000,000)	—
Ms. Cheung	July 1992	29.7.1993 to 28.7.2002	1.36	13,792,000	(13,792,000)	—
	July 1995	22.7.1996 to 28.7.2002	0.88	3,000,000	(3,000,000)	—
Mr. Gorges	July 1992	29.7.1993 to 28.7.2002	1.36	13,792,000	(13,792,000)	—
	July 1995	22.7.1996 to 28.7.2002	0.88	3,000,000	(3,000,000)	—
				50,380,000	(50,380,000)	—

### (iv) Share option scheme adopted by SCH on 31 May 2002

No share options were granted or exercised under this scheme since its adoption.

### (v) Share option scheme adopted by SCB on 12 July 1993

Director	Month of grant	Exercise period	Exercise price HK\$	Number of underlying shares comprised in to SCB's shares options		
				Outstanding at 1.1.2002	Lapsed during the year	Outstanding at 31.12.2002
Mr. Ng	August 1993	15.8.1994 to 11.7.2003	0.180	100,000,000	—	100,000,000
Ms. Cheung	August 1993	15.8.1994 to 11.7.2003	0.180	100,000,000	—	100,000,000
Mr. Gorges	August 1993	15.8.1994 to 11.7.2003	0.180	50,000,000	—	50,000,000
				250,000,000	—	250,000,000

## Directors' Report

### (vi) *Share option scheme adopted by SCB on 31 May 2002*

No share options were granted or exercised under this scheme since its adoption.

Save as disclosed above, at no time during the year was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions between the Group and other companies under the control of SCH during the year are set out in note 39 to the financial statements. Certain directors of the Company have interests in SCH as disclosed in the section under the heading "Directors' interests in shares and warrants" above.

Save as disclosed above, no contracts of significance in relation to the Group's business 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, subsisted at the end of the year or at any time during the year.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Name of shareholders	Number of ordinary shares	Note	% holding
Super Giant Limited ("Super Giant")	273,370,337		51.55%
Worldunity Investments Limited ("Worldunity")	98,143,020		18.51%
Tek Lee Finance And Investment Corporation Limited ("Tek Lee")	396,389,357	(a)	74.74%
South China (BVI) Limited ("SC (BVI)")	396,389,357	(b)	74.74%
SCH	396,389,357	(b)	74.74%

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*Notes:*

- (a) Tek Lee is the holding company of Super Giant, Worldunity and Greearn Investments Limited which hold shares in the Company. The 396,389,357 shares referred above include the 273,370,337 shares held by Super Giant, 98,143,020 shares held by Worldunity and 24,876,000 shares held by Greearn Investments Limited.
- (b) SCH is the holding company of SC (BVI) which in turn is the holding company of Tek Lee. The 396,389,357 shares referred above relate to the same parcel of shares.

Save as disclosed above, the Company had no notice of any interests to be disclosed under Section 16(1) of the SDI Ordinance as at 31 December 2002.

### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2002.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the five largest suppliers of the Group accounted for approximately 9% of the Group's total purchases while the five largest customers of the Group accounted for approximately 55% of the Group's total turnover. In addition, the largest customer of the Group accounted for approximately 25% of the Group's total turnover.

None of the directors, their associates, or any shareholder which to the knowledge of the directors owned more than 5% of the Company's share capital had a material interest in the Group's five largest customers or the five largest suppliers.

### **DONATIONS**

During the year, the Group made charitable and other donations of approximately HK\$59,000.



## Directors' Report

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2002 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association.

### AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two members, Mr. Lee Wai Choi, Albert and Mr. Chiu Sin Chun, who are independent non-executive directors of the Company.

### POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 46 to the financial statements.

### AUDITORS

During the year, Messrs. Arthur Andersen & Co., who acted as auditors of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company on 28th November, 2002. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company for the ensuing year.

On behalf of the Board  
**Ng Hung Sang, Robert**  
*Chairman*

Hong Kong Special Administrative  
Region of the People's Republic of China  
25 April, 2003