

# Report of the Directors

The directors present their report together with the audited accounts for the year ended 31st December 2002.

## **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 12 to the accounts.

An analysis of the Group's performance for the year by geographical segment is set out in note 2 to the accounts.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated profit and loss account on page 20.

The board of directors has declared an interim dividend of HK0.8 cents per ordinary share, totalling approximately HK\$11,987,000, which was paid on 28th October 2002.

The board of directors recommends the payment of a final dividend of HK1.2 cents per ordinary share, totalling approximately HK\$17,981,000 for the year ended 31st December 2002.

## **RESERVES**

Movement in the reserves of the Group and of the Company during the year are set out in note 24 to the accounts.

## **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company as at 31st December 2002 amounted to approximately HK\$179,905,000 (2001: HK\$156,807,000).

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 52.



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

The Company did not redeem any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

## **DIRECTORS**

The directors during the year were:

*Executive directors:*

Chang Wen I (*Chairman*)  
Chen Hsien Min (*Managing Director*)  
Chen Ying-Chieh

*Independent non-executive directors:*

Kuo Jung-Cheng  
Huang Shun-Tsai

In accordance with Article 99 of the Company's Articles of Association, Mr Chen Ying-Chieh retires by rotation and, being eligible, offers himself for re-election.

## **DIRECTORS' SERVICE CONTRACTS**

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

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Brief biographical details of directors and senior management are set out on pages 8 and 9.

## **DIRECTORS' INTERESTS IN CONTRACTS**

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.

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## SHARE OPTIONS

In accordance with the Company's share option scheme adopted on 9th October 1995 for a period of 10 years (the "Scheme"), the board of directors may grant options to eligible employees, including director(s) of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The options are exercisable in whole or in part at any time not less than six months from the date of acceptance granted under the Scheme for a period of two years. The subscription price is set at no less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the grant of the option.

At 1st January 2002, a total of 80,000,000 share options granted to employees in September 1999 remained outstanding. These share options entitled the holders thereof to subscribe for shares of HK\$0.10 each in the Company at a subscription price of HK\$0.20 per share (subject to adjustment) during the exercisable period from 29th March 2000 to 28th March 2002. No share options were exercised during the year and all the outstanding share options lapsed on 28th March 2002. No new share options were granted during the year ended 31st December 2002.

In order to comply with the revised rules relating to share option scheme as stipulated in Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), a resolution for the adoption of a new share option scheme will be proposed at the forthcoming annual general meeting.



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## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December 2002, the interests of the directors and chief executive in the shares of the Company and of its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Nature of interest	Number of ordinary shares of HK\$0.10 each
Chang Wen I	Corporate (Note)	449,669,995

*Note: These securities are registered in the name of and beneficially owned by Lucky Earn International Ltd., a company incorporated in the British Virgin Islands. The entire issued share capital of Lucky Earn International Ltd. is beneficially owned by Mr Chang Wen I.*

In addition to the above, as at 31st December 2002, the following directors beneficially owned the non-voting deferred shares in certain subsidiaries of the Company:

Name of subsidiary	Name of director	Number of non-voting deferred shares of HK\$1 each
Gentlefit Trading Limited	Chang Wen I	6,425,051
	Chen Hsien Min	3,013,917
Modern City Development Limited	Chang Wen I	3,400
	Chen Hsien Min	3,300

The non-voting deferred shares carry no rights to dividends, nor rights to receive notice, nor rights to attend and vote at any general meetings of the respective companies, nor rights to participate in any distributions on winding up.

Save as disclosed above and certain nominee shares in subsidiaries held by certain directors of the Company in trust for the Group, as at 31st December 2002, none of the directors or chief executives, nor any of their associates (including their spouses and children under 18 years of age), had any interests in or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations as defined by the SDI Ordinance.

Save as disclosed under the section headed "Share Options", at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st December 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

<b>Name</b>	<b>Number of ordinary shares of HK\$0.10 each</b>
Top Glory Assets Limited	217,692,895

*Note: At 31st December 2002, Mr Chen Yi Hsun and Ms Chen Yi Chen, the son and daughter of Mr Chen Hsien Min, Managing Director of the Company, have beneficial interests in 50% each in Top Glory Assets Limited.*

## 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.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales for the year attributable to the Group's largest customer and five largest customers combined are 14% and 51%, respectively.

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers.

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

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company were not appointed for a specific term and they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

## AUDIT COMMITTEE

In compliance with the requirements of The Stock of Exchange of Hong Kong Limited, an audit committee comprising two independent non-executive directors was formed. Reporting to the board of directors of the Company, the audit committee is dedicated to the review and supervision of the Group's financial reporting process.



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## AUDITORS

The accounts for the year ended 31st December 2002 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

The accounts for the years ended 31st December 2001 and 31st December 2000 were audited by Deloitte Touche Tohmatsu and the accounts for the year ended 31st December 1999 were audited jointly by Deloitte Touche Tohmatsu and W. O. Lo & Co..

On behalf of the board

**CHANG Wen I**

*Chairman*

Hong Kong, 16th April 2003