



# Directors' Report

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

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 15 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 17. The directors do not recommend the payment of any dividend for the year.

## MAJOR CUSTOMERS AND SUPPLIERS

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

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

## SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and warrants of the Company are set out in notes 20 and 21, respectively, to the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group as at 31 December, 2002 are set out on page 55 of the annual report.



# Directors' Report

## DIRECTORS

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

### *Executive directors:*

Mr. Hui Wing Mau  
Ms. Hui Mei Mei, Carol  
Mr. Hui Sai Tan, Jason (appointed on 15 July, 2002)  
Ms. Lee Yuk Ying (appointed on 15 July, 2002)

### *Independent non-executive directors:*

Mr. Liu Hing Hung  
Mr. Lu Hong Bing

In accordance with clause 86(2) of the Company's bye-laws, Mr. Hui Sai Tan, Jason and Ms. Lee Yuk Ying shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with clause 87 of the Company's bye-laws, Ms. Hui Mei Mei, Carol shall retire by rotation and, being eligible, offers herself for re-election at the forthcoming annual general meeting.

The directors being proposed for re-election at the forthcoming annual general meeting do not have 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 CONTRACTS

- (1) Pursuant to an underwriting agreement dated 4 February, 2002 (the "Underwriting Agreement") entered into between the Company and Perfect Zone International Limited ("Perfect Zone"), Perfect Zone acted as the underwriter to underwrite not less than 328,981,800 Rights Shares (as defined in the Underwriting Agreement) of HK\$0.10 each by way of a rights issue on the basis of seven Rights Shares for every ten existing shares held on the Record Date (as defined in the Underwriting Agreement) at HK\$0.65 per Rights Share. Mr. Hui Wing Mau and Ms. Hui Mei Mei, Carol, both directors of the Company, are also directors of Perfect Zone.
- (2) Pursuant to a co-operative agreement dated 4 February, 2002 entered into amongst Smart Bloom Holdings Limited and Vast Union Investments Limited ("Vast Union"), both of which are wholly-owned subsidiaries of the Company, and Shanghai Shimao Jianshe Company Limited ("Shanghai Shimao"), a subsidiary of Shanghai Shi Mao Co., Ltd. of which Mr. Hui Wing Mau is a director, pursuant to which Vast Union and Shanghai Shimao established a sino-foreign equity joint venture (the "JV Company") for the purpose of acquiring a land property from an independent third party and engaging in property development on such land property. The total investment of the JV Company contributed by Vast Union amounted to US\$27,000,000 (approximately HK\$210,260,000) of which US\$9,000,000 (approximately HK\$70,250,000) was in the form of registered capital and US\$18,000,000 (approximately HK\$140,010,000) was in the form of shareholder's loan. Subsequent to the balance sheet date, a company incorporated in the British Virgin Islands, in which Mr. Hui Wing Mau has a beneficial interest, acquired a 66% interest in Shanghai Shimao and, as a result, is interested in 50% of the equity interest of the JV Company.

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## DIRECTORS' INTERESTS IN CONTRACTS *(continued)*

- (3) Pursuant to the agreements dated 29 May, 2002 entered into between Sparkle Talent Limited ("Sparkle Talent"), a wholly-owned subsidiary of the Company, and Shimao Group (Property Investments) Limited ("Shimao Group") in which Mr. Hui Wing Mau, a director of the Company, has a beneficial interest, Sparkle Talent acquired from Shimao Group (i) the entire issued share capital of Shimao Group (DongFangHong Commercial City) Limited ("DFH") and the shareholder's loan of DFH of approximately HK\$18,868,000 at a total consideration of HK\$70 million, which was satisfied by the issue of a promissory note of HK\$70 million, and (ii) the entire issued share capital of Ideal Target Holdings Limited ("IT") and the shareholder's loan of IT of approximately HK\$42,453,000 at a total consideration of HK\$80 million, which was satisfied by the issue of a promissory note of HK\$80 million. The promissory notes bear interest at 1.5% per annum with the expiry date on 31 December, 2005.

Other than as disclosed above, no contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December, 2002, the interests of the directors 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 ("SDI Ordinance"), were as follows:

Director	Number of shares		
	Personal interests	Family interests	Other interests
Mr. Hui Wing Mau	–	–	618,571,397 <i>(Note 1)</i>
Ms. Hui Mei Mei, Carol	–	–	618,571,397 <i>(Note 1)</i>
Mr. Hui Sai Tan, Jason	–	–	618,571,397 <i>(Note 1)</i>
Ms. Lee Yuk Ying	5,100	1,222,000 <i>(Note 2)</i>	–

### Notes:

- (1) These shares are owned by Perfect Zone which is directly wholly-owned by Overseas Investment Group International Limited as trustee of a unit trust, all the units of which are held by Ansbacher (BVI) Limited as a trustee of The WM Hui Family Trust, a discretionary trust set up by Mr. Hui Wing Mau for the benefit of his wife and children. Ms. Hui Mei Mei, Carol and Mr. Hui Sai Tan, Jason are the children of Mr. Hui Wing Mau and accordingly, are deemed to be interested in the shares owned by Perfect Zone.
- (2) Ms. Lee Yuk Ying is deemed to be interested in these shares owned by her spouse.

Save as disclosed above, none of the directors, chief executives or their associates had any interests in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.



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## SHARE OPTIONS

Under the terms of the share option scheme (the “Scheme”) adopted by the Company for the primary purpose of providing incentives to directors and eligible employees, the directors of the Company may, at their discretion, grant options to employees of the Group, including executive directors of the Company to subscribe for shares. The options granted will entitle the holders to subscribe for shares during such periods as may be determined by the directors at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing price of the shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the share capital of the Company in issue from time to time, and the maximum number of shares in respect of which options may be granted to any employee may not exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme. Any shares allotted on the exercise of options will rank pari passu in all respects with the other shares in issue at the date of exercise of the relevant options.

During the year, there is no outstanding share option and no share options were granted or exercised during the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed in the section “Directors' Interests in Share Capital”, the Company has not been notified of any other interests representing 10% or more in the issued share capital of the Company as at 31 December, 2002 pursuant to section 16(1) of the SDI Ordinance.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$1,875,000.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December, 2002 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, except that the independent non-executive directors of the Company were not appointed for any specific terms.



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## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, although there are no restrictions against such rights under the laws in Bermuda.

## AUDITORS

Except for the year ended 31 December, 2000 in which Messrs. Ernst & Young acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past two financial years. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Hui Wing Mau**

*Chairman*

Hong Kong, 15 April, 2003