

# Report of the Directors

## 董事會報告

The directors have pleasure in presenting their report together with the audited accounts of the Company and the Group for the year ended 31st March 2004.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the retailing and wholesaling of a wide range of brands of cosmetic products and the provision of beauty and health club services.

An analysis of the Group's turnover and profit before taxation for the year by principal activities and geographical areas of operation is set out in note 3 to the accounts.

### RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 61.

An interim dividend of 2.0 HK cents (2003: 1.0 HK cent) and a special dividend of 1.0 HK cent (2003: 1.0 HK cent) per share were paid on 30th December 2003. The directors recommend the payment of a final dividend of 5.0 HK cents (2003: 4.0 HK cents) and a special dividend of 4.0 HK cents (2003: nil) per share. Total dividends paid and declared for the year ended 31st March 2004 amounted to HK\$155,507,000.

董事會欣然提呈本公司與本集團截至二零零四年三月三十一日止年度之報告及經審核賬目。

### 主要業務及按地區分析業務

本公司主要業務為投資控股，其附屬公司主要從事多種名牌化粧品之零售和批發與及提供美容和健美中心服務。

本集團本年度按主要業務及經營地區劃分之營業額及除稅前溢利之分析載於賬目附註3。

### 業績及溢利分配

本集團本年度之業績載於第61頁綜合損益賬內。

本公司已於二零零三年十二月三十日派發中期股息每股2.0港仙(二零零三年:1.0港仙)及特別股息每股1.0港仙(二零零三年:1.0港仙)。董事會現建議派發末期股息每股5.0港仙(二零零三年:4.0港仙)及特別股息每股4.0港仙(二零零三年:無)。截至二零零四年三月三十一日止年度已派及擬派股息合共155,507,000港元。

# Report of the Directors (continued)

## 董事會報告 (續)

### FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out as follows:

### 財務摘要

本集團過去五個財政年度之業績、資產及負債摘要如下：

		2004 HK\$'000 千港元	2003 (Restated) (重新列示) HK\$'000 千港元	2002 (Restated) (重新列示) HK\$'000 千港元	2001 (Restated) (重新列示) HK\$'000 千港元	2000 (Restated) (重新列示) HK\$'000 千港元
Turnover	營業額	1,883,334	1,641,385	1,537,411	1,439,369	1,316,614
Operating profit	經營溢利	184,964	108,635	39,469	98,538	79,202
Profit/(loss) before taxation	除稅前溢利/(虧損)	185,162	92,787	(64,196) <note 2> <附註2>	(74,410) <note 3> <附註3>	79,012
Taxation	稅項	(34,087)	(33,478)	(4,699)	(5,846)	(8,888)
Minority interests	少數股東權益	-	8,913	2,673	(2,095)	-
Profit/(loss) attributable to shareholders	股東應佔溢利/(虧損)	151,075	68,222	(66,222)	(82,351)	70,124
Total assets	資產總值	1,217,121	1,116,383	1,110,006	1,185,819	1,232,569
Total liabilities	負債總值	(367,537)	(356,107)	(297,057)	(263,435)	(103,365)
Minority interests	少數股東權益	-	-	(6,379)	32,181	-
Net assets	資產淨值	849,584	760,276	806,570	954,565	1,129,204

#### Notes:

- Figures have been restated in years from 2000 to 2003 following the adoption of SSAP 12 (revised) "Income Taxes".
- The difference between operating profit and loss before taxation mainly represented by restructuring cost of several subsidiaries, store closure costs and deficit on revaluation of leasehold land and buildings.
- The difference between operating profit and loss before taxation mainly represented by impairment of goodwill.

#### 附註：

- 採納會計準則第12號「所得稅」(經修訂)後，二零零零年至二零零三年之數字已重列。
- 經營溢利及除稅前虧損之差額，主要為數間附屬公司之業務重組成本、店舖關閉費用及租賃土地及樓宇之重估貶值。
- 經營溢利及除稅前虧損之差額，主要為商譽減值。

### MAJOR CUSTOMERS AND SUPPLIERS

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

### RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 21 to the accounts.

### FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 20 to the accounts.

### SHARE OPTIONS

#### (I) Share Option Schemes

The Company adopted a share option scheme on 22nd May 1997 (the "1997 Share Option Scheme"), a summary of which was disclosed in the annual report of the Company for the year ended 31st March 2002. In view of the changes of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which govern the operation of share option schemes, the Company adopted a new share option scheme on 29th August 2002 (the "2002 Share Option Scheme") and the operation of the 1997 Share Option Scheme was terminated on the same day (such that no further options could be offered under the 1997 Share Option Scheme but the provisions of the 1997 Share Option Scheme continued to govern options granted under that scheme up to and including 28th August 2002). Summary of the 2002 Share Option Scheme and the details of share options granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme and their movements during the year are set out in note 20 to the accounts.

### 主要客戶及供應商

本集團五大客戶及供應商年內之銷售總額及採購總額分別佔本集團銷售總額及採購總額少於30%。

### 儲備

本集團及本公司儲備於年內之變動詳情載列於賬目附註21。

### 固定資產

本集團固定資產於年內之變動詳情載列於賬目附註12。

### 股本

本公司股本於年內之變動詳情載列於賬目附註20。

### 購股權

#### (I) 購股權計劃

本公司於一九九七年五月二十二日採納一項購股權計劃(「一九九七年購股權計劃」),有關摘要已於本公司截至二零零二年三月三十一日止年度之年報內披露。鑑於監管購股權計劃運作的香港聯合交易所有限公司證券上市規則(「上市規則」)第十七章有所修訂,本公司於二零零二年八月二十九日採納一項新購股權計劃(「二零零二年購股權計劃」),而一九九七年購股權計劃的運作則於同日終止(故再無購股權可根據一九九七年購股權計劃予以授出,惟一九九七年購股權計劃的條文繼續對截至並包括二零零二年八月二十八日已授出的購股權具有約束力)。二零零二年購股權計劃之摘要與及根據一九九七年購股權計劃及二零零二年購股權計劃授出之購股權詳情及於年內之變動載列於賬目附註20。

### SHARE OPTIONS (continued)

#### (II) Share Options under an ex-director's Service Agreement

The Company has granted to Mr. KING, Roger ("Mr. KING"), an ex-director of the Company, share options in accordance with the terms set out in a service agreement entered between the Company and Mr. KING on 2nd August 1999 (the "Service Agreement") which was approved by the shareholders of the Company at an extraordinary general meeting held on 14th September 1999. The details of share options granted under the Service Agreement and their movements during the year are also set out in note 20 to the accounts.

The financial impact of options granted will not be recorded in the Group's accounts until such time when the options are exercised. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of shares will be recorded by the Company in the share premium account. Options which have lapsed prior to their exercise date will be deleted from the outstanding options.

The directors do not consider it appropriate to state the value of the options granted during the year as a number of variables which are crucial for the calculation of the value of the options have not been determined. The directors believe that any calculation of the value of the options based on a great number of speculative assumptions would not be meaningful and would be misleading.

#### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws in the Cayman Islands.

#### 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 listed securities.

#### SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st March 2004 are set out in note 25 to the accounts.

### 購股權 (續)

#### (II) 一位前董事服務協議之購股權

本公司根據於一九九九年八月二日與本公司一名前董事金樂琦先生(「金先生」)簽訂一份服務協議(「服務協議」)之條款,授予金先生一批購股權,該服務協議於一九九九年九月十四日經本公司股東特別大會通過。本公司根據服務協議授出之購股權詳情及其於年內之變動亦載列於賬目附註20。

已授出的購股權直至行使前,其財務影響將不會列於本集團的賬目內。該等購股權被行使後,本公司將會把因此而發行的股份按其面值列為額外股本,而每股行使價較股份面值高出的金額則將列入股份溢價賬內。於行使日期前失效的購股權將在尚未行使的購股權中刪除。

由於計算有關購股權價值的各項重要因素尚未決定,故董事認為就本年度內計算購股權價值並不恰當,而根據各項揣測假設作出的任何估值均無意義,且可能引起誤導。

#### 優先購買權

本公司組織章程並無有關優先購買權之任何規定,而開曼群島法例亦無有關該權利之任何限制。

#### 購回、出售或贖回股份

本公司及其任何附屬公司於年內概無購回、出售或贖回本公司任何上市證券。

#### 附屬公司

本公司於二零零四年三月三十一日之主要附屬公司詳情載於賬目附註25。

# Report of the Directors (continued)

## 董事會報告 (續)

### BANK LOANS AND OVERDRAFTS

As at 31st March 2004, the Group has no bank loans nor overdrafts.

### CAPITALISED INTERESTS

No interest was capitalised by the Group during the year.

### DISTRIBUTABLE RESERVES

As at 31st March 2004, the reserves of the Company available for distribution amounted to HK\$552,499,000.

### DONATIONS

The Group made donations during the year totalling HK\$668,000.

### DIRECTORS AND SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report were:—

#### Executive Directors

Mr. KWOK, Siu Ming, Simon

Mrs. KWOK LAW, Kwai Chun, Eleanor

Mr. LOOK, Guy

#### Non-Executive Director

Mrs. LEE LOOK, Ngan Kwan, Christina

- re-designated from an independent non-executive director to a non-executive director for a term of three years commencing 24th June 2004

### 銀行貸款及透支

於二零零四年三月三十一日，本集團並無銀行貸款及透支。

### 利息資本化

本集團於年內並無將利息資本化。

### 可分派儲備

於二零零四年三月三十一日，本公司可供分派之儲備達552,499,000港元。

### 捐款

本集團於年內作出的捐款共為668,000港元。

### 董事及服務合約

年內及截至本報告簽發日期止擔任董事職務之人士如下：—

#### 執行董事

郭少明先生

郭羅桂珍女士

陸楷先生

#### 非執行董事

利陸雁群女士

- 由獨立非執行董事調任為非執行董事，任期三年，自二零零四年六月二十四日起生效

### DIRECTORS AND SERVICE CONTRACTS (continued)

#### Independent Non-Executive Directors

Professor CHAN, Yuk Shee, J.P.

- term of directorship extended for a further term of three years commencing 1st November 2002

Dr. LEUNG, Kwok Fai, Thomas, J.P.

- term of directorship extended for a further term of three years commencing 1st January 2003

Ms. TAM, Wai Chu, Maria, GBS, J.P.

- appointed for a term of three years commencing 24th June 2004

In accordance with Article 99 of the Company's Articles of Association, Ms. TAM, Wai Chu, Maria, will retire from office at the forthcoming annual general meeting and, being eligible, offer herself for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mrs. LEE LOOK, Ngan Kwan, Christina and Dr. LEUNG, Kwok Fai, Thomas will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors 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.

#### CONTRACTS OF SIGNIFICANCE

No contracts of significance between the Group and its controlling shareholders or its subsidiaries and in which any director of the Company is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

### 董事及服務合約 (續)

#### 獨立非執行董事

陳玉樹教授·太平紳士

- 董事任期由二零零二年十一月一日起計延長三年

梁國輝博士·太平紳士

- 董事任期由二零零三年一月一日起計延長三年

譚惠珠小姐·金紫荊星章·太平紳士

- 於二零零四年六月二十四日獲委任·任期三年

根據本公司組織章程第99條之規定·譚惠珠小姐會於即將舉行之股東週年大會上退任·惟譚小姐有資格並願膺選連任。

根據本公司組織章程第116條之規定·利陸雁群女士及梁國輝博士會於即將舉行之股東週年大會上輪換退任·利陸雁群女士及梁國輝博士有資格並願膺選連任。

除上文所披露者外·擬於即將舉行之股東週年大會上候選連任之董事並無擁有與本公司訂立本公司不可於一年內沒有賠償(法定賠償除外)而終止其服務之合約。

#### 重要合約

本年度內或年結時·本集團·其控股股東或附屬公司概無簽訂本公司任何董事直接或間接擁有重大權益之重要合約。

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31st March 2004, the interests or short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

**董事於股份、相關股份及債券之權益及淡倉**

於二零零四年三月三十一日，本公司董事及主要行政人員於本公司或其任何相聯法團（定義見證券及期貨條例（「證券條例」）第XV部）擁有根據證券條例第XV部第7及第8分部須知會本公司及香港聯合交易所有限公司（「聯交所」）的股份、相關股份及債券之權益或淡倉（包括彼等根據證券條例之該等條文被假設或視為擁有之權益或淡倉），或記載於本公司按證券條例第352條須置存之登記冊內的權益或淡倉，或根據上市發行人董事進行證券交易的標準守則（「標準守則」）須知會本公司及聯交所的權益或淡倉如下：

**(I) Long position in shares of the Company**

**(I) 擁有公司股份之好倉**

Name of director 董事姓名	Nature of interest 權益性質	Number of shares 股份數目
Mr. KWOK, Siu Ming, Simon 郭少明先生	Corporate Interests (Note) 公司權益 (附註)	898,506,400
	Personal Interests 個人權益	20,364,000
Mrs. KWOK LAW, Kwai Chun, Eleanor 郭羅桂珍女士	Corporate Interests (Note) 公司權益 (附註)	898,506,400
Mrs. LEE LOOK, Ngan Kwan, Christina 利陸雁群女士	Personal Interests 個人權益	1,148,000
Professor CHAN, Yuk Shee 陳玉樹教授	Personal Interests 個人權益	1,000,000

Note: These shares are held as to 696,780,000 shares by Sunrise Height Incorporated and as to 201,726,400 shares by Green Ravine Limited. Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.

附註：該等股份其中696,780,000股由Sunrise Height Incorporated持有而201,726,400股由Green Ravine Limited持有。郭少明先生及郭羅桂珍女士各持有Sunrise Height Incorporated及Green Ravine Limited 50%權益。

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

#### (II) Long position of shares in associated corporations

Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor are each taken to be interested in all the issued non-voting deferred shares of Sa Sa Cosmetic Company Limited, Sa Sa Investment Limited, Matford Trading Limited and Base Sun Investment Limited, all wholly-owned subsidiaries of the Company. Mrs. KWOK LAW, Kwai Chun, Eleanor is also taken to be interested in all the issued non-voting deferred shares of Vance Trading Limited, a wholly-owned subsidiary of the Company.

Save as disclosed above, no directors or chief executive have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under note 20 to the accounts, at no time during the year ended 31st March 2004 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the directors of the Company (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

### 董事於股份、相關股份及債券之權益及淡倉 (續)

#### (II) 擁有相聯法團股份之好倉

郭少明先生及郭羅桂珍女士分別被視為擁有莎莎化粧品有限公司、莎莎投資有限公司、美福貿易有限公司及鵬日投資有限公司之全部已發行無投票權遞延股份之權益，前述公司均為本公司全資附屬公司。郭羅桂珍女士亦被視為擁有本公司全資附屬公司榮森貿易有限公司全部已發行無投票權遞延股份之權益。

除上文所披露者外，各董事及主要行政人員概無在本公司或其相聯法團（定義見證券條例第XV部）擁有根據證券條例第XV部第7及第8分部須知會本公司及聯交所的股份、相關股份及債券之權益或淡倉（包括彼等根據證券條例之該等條文被假設或視為擁有之權益或淡倉），或記載於本公司按證券條例第352條須置存之登記冊內的權益或淡倉，或根據標準守則須知會本公司及聯交所的權益或淡倉。

### 董事購買股份或債券權利之利益

除於賬目附註20所披露者外，本公司、其控股公司或其附屬公司於年內任何時間概無參與訂立任何協議，令本公司之董事（包括彼等之配偶或十八歲以下之子女）可藉收購本公司或任何其他法人團體之股份或債券而獲得利益。



## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any director or chief executive of the Company, as at 31st March 2004, shareholders who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

### Long position of substantial shareholders in the shares of the Company

Name 股東名稱	Number of ordinary shares beneficially held 實益持有之普通股數目
Sunrise Height Incorporated	696,780,000 (Note) (附註)
Green Ravine Limited	201,726,400 (Note) (附註)

Note: Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.

Save as disclosed above, the Company has not been notified by any person (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

## 根據證券條例所披露之股東權益及淡倉

就本公司董事或主要行政人員所知，於二零零四年三月三十一日，擁有根據證券條例第XV部第2及第3分部須向本公司及聯交所披露的股份或相關股份之權益或淡倉（包括彼等根據證券條例之該等條文被假設或視為擁有之權益或淡倉），或記載於本公司按證券條例第336條須置存之登記冊內的權益或淡倉之股東如下：

### 主要股東擁有本公司股份之好倉

附註：郭少明先生及郭羅桂珍女士各擁有Sunrise Height Incorporated及Green Ravine Limited 50%股權。

除上文所披露者外，本公司並無知悉任何人士擁有根據證券條例第XV部第2及第3分部須向本公司及聯交所披露的股份或相關股份（除本公司董事或主要行政人員外）之權益或淡倉（包括彼等根據證券條例之該等條文被假設或視為擁有之權益或淡倉），或記載於本公司按證券條例第336條須置存之登記冊內的權益或淡倉。

## CONNECTED TRANSACTIONS

During the year, connected transactions as defined by the Listing Rules entered into by the Group were as follows:—

### (I) Sa Sa Cosmetic Company Limited and Ebeca Cosmetic (Holding) Limited

As disclosed in the interim report 2003/2004 and pursuant to sales and purchases in their ordinary course of business and on normal commercial terms during the year ended 31st March 2003 between Sa Sa Cosmetic Company Limited ("Sa Sa Cosmetic"), a wholly owned subsidiary of the Company, and Ebeca Cosmetic (Holding) Limited ("Ebeca"), an indirect non-wholly owned subsidiaries of the Company, the entire interest of which was disposed of by the Company on 28th March 2003, Ebeca owed Sa Sa Cosmetic HK\$412,000 as at 28th March 2003.

It had been agreed between Ebeca and Sa Sa Cosmetic that Ebeca would repay HK\$206,000 to Sa Sa Cosmetic by cash and the remaining HK\$206,000 would be settled by an equivalent sum of products of Ebeca on or before 30th November 2003. During the year, HK\$206,000 was settled by cash by Ebeca in May 2003 and HK\$56,000 and HK\$150,000 equivalent sum of products were delivered to Sa Sa Cosmetic in June 2003 and October 2003 respectively.

According to the Stock Exchange, although the Company disposed of its interest in Sa Sa (China) Holdings Limited, which indirectly held Ebeca, on 28th March 2003, any transactions between the Group and Ebeca for the 12 month period from 28th March 2003 was still considered as connected transactions pursuant to Rule 14A.11 of the Listing Rules.

## 關連交易

於年內，本集團曾進行以下屬於上市規則所界定之關連交易的交易：—

### (I) 莎莎化粧品有限公司與依貝佳化粧品集團有限公司

按二零零三／二零零四年中期業績報告之披露及根據莎莎化粧品有限公司(「莎莎化粧品」)在日常業務過程中按一般商業條款與依貝佳化粧品集團有限公司(「依貝佳」)之貨品銷售交易，依貝佳於二零零三年三月二十八日欠付莎莎化粧品412,000港元。莎莎化粧品為本公司之全資附屬公司，而依貝佳在二零零三年三月二十八日本公司出售其股份前，乃本公司之間接非全資附屬公司。

按莎莎化粧品及依貝佳之協定，依貝佳將以現金206,000港元作部分還款而206,000港元之餘額則以相同價值之貨品於二零零三年十一月三十日前償還。於年內，依貝佳在二零零三年五月償還現金206,000港元，另分別在二零零三年六月及十月將價值56,000港元及150,000港元之貨品送交莎莎化粧品。

根據聯交所指示，按上市規則第14A.11條規定，雖然本公司已於二零零三年三月二十八日出售間接持有依貝佳之莎莎(中國)控股有限公司之股權，惟本集團與依貝佳於二零零三年三月二十八日起計十二個月內之任何交易仍被視為關連交易。

### CONNECTED TRANSACTIONS (continued)

#### (II) Service Agreement of an ex-director

On 2nd August 1999, the Company entered into the Service Agreement to appoint Mr. KING, as the president and chief executive officer of the Company. At the same time, Mr. KING, who had previously been an independent non-executive director of the Company, was appointed as an executive director of the Company. The services of Mr. KING under the Service Agreement were completed on 10th May 2002.

Pursuant to the Service Agreement, a total of 9,000,000 new shares in the Company would be issued to Mr. KING over a period of three years as his remuneration and he would also be granted options to subscribe for shares (the "Share Options") in the Company in accordance with the terms set out in the Service Agreement. The issue of new shares and Share Options to Mr. KING constituted a connected transaction for the purpose of Chapter 14A of the Listing Rules which was approved by shareholders of the Company at an extraordinary general meeting held on 14th September 1999.

During the year, a total of 18,500,000 ordinary shares of the Company were issued to Mr. KING pursuant to his exercise of Share Options.

### 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.

### 關連交易 (續)

#### (II) 一名前董事之服務協議

本公司於一九九九年八月二日與金先生簽訂服務協議委任金先生為本公司之總裁兼行政總裁。金先生原為本公司之獨立非執行董事，後獲委任為本公司之執行董事。金先生已於二零零二年五月十日按服務協議完成其服務。

根據服務協議，本公司須於三年內發行新股份共9,000,000股予金先生作為報酬，及按服務協議所載之條款，金先生可獲授予購股權以認購本公司股份（「購股權」）。根據上市規則第14A章，發行新股及授予購股權予金先生構成一項關連交易。該交易已於本公司一九九九年九月十四日召開之股東特別大會中獲股東批准。

於年內，本公司按金先生行使之購股權發行共18,500,000股股份予金先生。

#### 管理合約

本公司於年內並無簽訂或存有管理本公司整體或其中重要部份業務的合約。

## CORPORATE GOVERNANCE

### (I) BOARD COMMITTEES

#### *Audit Committee*

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code of Best Practice"), the Company has established an Audit Committee in 1999. The committee comprises three independent non-executive directors, Professor CHAN, Yuk Shee who is the chairman of the committee, Dr. LEUNG, Kwok Fai, Thomas and Ms. TAM, Wai Chu, Maria. The committee has adopted the terms of reference governing its authority and duties.

The Audit Committee reviews the systems of internal controls throughout the Group, the completeness and accuracy of its accounts and liaises on behalf of the Board with external auditors and the Group's internal auditors. The committee members have met with management, external and internal auditors and reviewed the internal and external audit reports and the interim and annual accounts of the Group.

#### *Compensation Committee*

The Compensation Committee reviews the compensation and benefits schemes, including the share option and incentive schemes, for staff of the Group and advises on any issues relating to human resources management and policy formulation of the Group from time to time. The present members of the committee are Dr. LEUNG, Kwok Fai, Thomas, who acts as the chairman, Mrs. LEE LOOK, Ngan Kwan, Christina and Mrs. KWOK LAW, Kwai Chun, Eleanor.

#### *Executive Committee*

The Executive Committee exercises the powers, authorities and discretions of the Board in so far as they are concerned with the management and day to day operation of the Company in accordance with such policies and directions as the Board may from time to time determine. The present members of the committee are Mr. KWOK, Siu Ming, Simon, who acts as the chairman, Mrs. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy.

## 企業管治

### (I) 董事委員會

#### 審核委員會

根據聯交所上市規則附錄十四最佳應用守則（「應用守則」）之規定，本公司已於一九九九年成立了審核委員會。該委員會由三名獨立非執行董事組成，成員為陳玉樹教授（委員會主席）、梁國輝博士及譚惠珠小姐。該委員會並已制訂職權範圍書，列明審核委員會成員之職務及責任。

審核委員會審閱本集團的整體內部監控機制及其賬目的完整性和準確性，並代表董事會與外聘核數師和本集團的內部核數師聯繫。審核委員會定期與管理層、外聘核數師和內部核數師開會，並審閱內部核數師與外聘核數師的報告及本集團的中期與末期賬目。

#### 薪酬委員會

薪酬委員會不時檢討本集團員工的薪酬和福利制度（包括購股權和獎勵計劃）及就本集團人力資源的管理及制定政策事宜不時提供意見。該委員會現時成員為梁國輝博士（委員會主席）、利陸雁群女士及郭羅桂珍女士。

#### 行政委員會

根據董事會不時釐訂的有關政策及指示，行政委員會可就涉及本公司的管理及日常運作的事宜行使董事會權力、權限及酌情權。該委員會現時成員為郭少明先生（委員會主席）、郭羅桂珍女士及陸楷先生。

**CORPORATE GOVERNANCE** (continued)

**(II) INVESTOR RELATIONS**

The Group commits itself to fostering a good and long-term relationship through open and prompt communication with shareholders and investors. Various communication channels are therefore established. Apart from the annual general meeting where shareholders can raise their comments on the Group's performance with directors, press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements. At these our management team explains the Group's business performance and future direction. The Company also avails itself of opportunities to communicate its strategies to investors and the public through active participation at investors conferences, regular meetings with fund managers and potential investors, as well as press interviews and timely press releases. During the year, the Group participated in various road shows and conferences summarized as follows:

企業管治 (續)

**(II) 投資者關係**

集團致力與股東及投資者建立良好而長遠的關係，通過設立多種溝通渠道，與股東及投資者作迅速及坦誠的溝通。除在股東週年大會上股東可向董事提出有關集團表現的意見外，集團亦每年最少於公佈中期及末期業績後舉行兩次記者招待會及分析員研討會，由管理層講解集團的業績及未來發展方向。此外集團亦透過積極參與投資者會議，定期與基金經理及潛在投資者會面，接受報章訪問及發出新聞稿向投資者及公眾闡釋業務策略。年內，集團曾參與以下巡迴推介及會議：

Date 日期	Event 活動	Organizer 主辦機構	Location 地點
March 2004 二零零四年三月	Asian Investment Conference 亞洲投資會議	CSFB 瑞士信貸第一波士頓	Hong Kong 香港
February 2004 二零零四年二月	Road show 巡迴推介	JP Morgan 摩根大通證券	Singapore 新加坡
February 2004 二零零四年二月	Investors luncheon 投資者午餐會	Deutsche Bank 德意志銀行	Hong Kong 香港
February 2004 二零零四年二月	Investors luncheon 投資者午餐會	UBS 瑞銀證券亞洲	Hong Kong 香港
February 2004 二零零四年二月	CLSA Corporate Day 里昂證券企業推介	CLSA 里昂證券	Hong Kong 香港
December 2003 二零零三年十二月	Investors breakfast meeting 投資者早餐會	HSBC 匯豐證券	Hong Kong 香港
October 2003 二零零三年十月	Citigroup Smith Barney Corporate Day 花旗環球金融亞洲投資者研討會	Citigroup Smith Barney 花旗環球金融亞洲	Hong Kong & Singapore 香港及新加坡
September 2003 二零零三年九月	Deutsche Bank Corporate Day 德意志銀行企業推介	Deutsche Bank 德意志銀行	Hong Kong 香港
August 2003 二零零三年八月	Investors luncheon 投資者午餐會	CLSA 里昂證券	Hong Kong 香港
August 2003 二零零三年八月	Road show 巡迴推介	HSBC 匯豐證券	Singapore 新加坡

# Report of the Directors (continued)

## 董事會報告 (續)

### CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice throughout the year, except that one of the independent non-executive directors is not appointed for a specific term as recommended under paragraph 7 of Appendix 14 of the Listing Rules but is subject to retirement by rotation at the annual general meeting in accordance with the Articles of Association of the Company. This independent non-executive director has been re-designated as a non-executive director for a term of three years commencing 24th June 2004.

### AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

**Kwok Siu Ming, Simon**

*Chairman and Chief Executive Officer*

Hong Kong, 28th June 2004

### 最佳應用守則

董事會認為本公司於年內一直遵守應用守則，惟並無根據上市規則附錄十四第7段建議，於委任一名獨立非執行董事時訂明其在任期限，而根據本公司之公司組織章程規定，本公司之獨立非執行董事須於每年股東週年大會上輪值退任。此名獨立非執行董事現已調任為非執行董事，由二零零四年六月二十四日起生效，為期三年。

### 核數師

本賬目已由羅兵咸永道會計師事務所審核，該核數師任滿告退，惟符合資格並願意應聘連任。

承董事會命

主席及行政總裁

**郭少明**

香港，二零零四年六月二十八日