

# Report of the Directors

The directors of Clear Media Limited (the “Company”) are pleased to present their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2002.

## Group Reorganisation

The Company was incorporated in Bermuda on 30 March 2001 as an exempted company with limited liability under the Bermuda Companies Act 1981.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired China Outdoor Media Investment Inc., the then holding company of the subsidiaries, and became the holding company of the Group on 28 November 2001 (the “Group Reorganisation”). Further details of the Group Reorganisation, together with details of the subsidiaries acquired pursuant thereto, are set out in notes 1, 15, 23 and 24 to the financial statements and in the Company’s prospectus dated 10 December 2001.

The Company completed its initial public offering on 19 December 2001 and the shares of the Company were listed on the Stock Exchange on the same date.

## Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

## Results and Dividends

The Group’s profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 57 to 83.

The directors do not recommend the payment of any dividends in respect of the year.

## Use of Proceeds from the Company’s Initial Public Offering

Upon the listing of the Company’s shares on the Stock Exchange on 19 December 2001 and the issue of shares on 11 January 2002 (note 23 to the financial statements), the proceeds, after the netting of related expenses paid and payable, were approximately HK\$648 million and HK\$9 million, respectively. As at 31 December 2002, approximately HK\$237 million, HK\$153 million and HK\$12 million was utilised to repay certain outstanding short term bank loans, to finance expansion of the bus shelter business, and for the expansion of our point-of-sale advertising displays in supermarkets and shopping malls, respectively. The remaining proceeds are deposited with renowned banks in Hong Kong.

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## Summary Financial Information

The following is a summary of the published combined results and of the assets and liabilities of the Group prepared on the basis set out in the note below:

	Year ended 31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
<b>RESULTS</b>					
Turnover	426,916	355,004	260,038	169,782	80,256
Profit before tax	87,575	70,843	46,318	28,954	12,255
Tax	(8,772)	(6,579)	(2,433)	–	–
Minority interests	(7,697)	(5,358)	(2,195)	(1,471)	(590)
Net profit from ordinary activities attributable to shareholders	71,106	58,906	41,690	27,483	11,665
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	915,498	707,419	477,902	408,355	303,132
Current assets	609,554	1,139,174	403,779	327,859	176,163
Current liabilities	(299,270)	(700,562)	(515,494)	(417,192)	(177,260)
Non-current liabilities	(16,032)	(16,233)	(11,209)	(6,581)	(14,257)
Net assets	1,209,750	1,129,798	354,978	312,441	287,778

*Note:* The summary of the combined results of the Group for the three years ended 31 December 2000 and the combined balance sheets of the Group as at December 1998, 1999 and 2000 have been extracted from the Company's prospectus dated 10 December 2001. This summary was prepared from the audited financial statements of the companies now comprising the Group as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis set out in note 4 to the financial statements. The results of the Group for the year ended 31 December 2001 and 2002 and its assets and liabilities as at those dates are those set out on pages 57 and 58 of the financial statements, respectively, and are presented on the basis set out in note 4 to the financial statements.

## Fixed Assets and Concession Rights

Details of movements in the fixed assets and concession rights of the Group for the year ended 31 December 2002 are set out in notes 14 and 16 to the financial statements, respectively.

## Share Capital and Share Options

Details of movements in the Company's share capital and share options for the year ended 31 December 2002, together with the reasons therefore, and details of the Company's share option schemes are set out in note 23 to the financial statements.

## Reserves

Details of movement in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

## Distributable Reserves

As at 31 December 2002, the Company's share premium, contributed surplus and retained profits accounts available for cash distribution and/or distribution in specie amounted to HK\$1,095,403,000. In accordance with the Bermuda Companies Act 1981, the Company's contributed surplus may be distributed in certain circumstances.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Purchase, Redemption or Sale of Listed Securities of the Company

The Company's shares were listed on the Stock Exchange on 19 December 2001. Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year and up to the date of this report.

## Charitable Contributions

During the year, the Group did not make any charitable contributions (2001: HK\$1,000,000).

## Major Advertisers and Suppliers

Sales to the Group's five largest advertisers accounted for approximately 17.1% of the Group's turnover for the year, and sales to the Group's largest advertiser included therein amounted to 3.8% of the Group's turnover for the year. The Group is not dependent on any particular supplier who provides goods and services which are specific to their business and which are required on a regular basis to enable them to continue to supply or service their customers.

None of the directors or any of their associates, or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest advertisers and/or suppliers.

## Connected Transactions

The Group entered into the following continuing connected transactions during the year ended 31 December 2002 and a waiver was granted by the Stock Exchange from the connected transaction requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") in 2001:

- (a) The Group has entered into a Framework Agreement (the "Framework Agreement") with Hainan White Horse Advertising Company Limited ("Hainan White Horse"), a company established in the People's Republic of China (the "PRC") with a 20% shareholding in one of the Group's subsidiaries, Hainan White Horse Advertising Media Investment Company Limited (the "WHA Joint Venture") and Maintenance Services Agreements (the "Maintenance Services Agreements") with 24 companies in which a director of the Company has an ability to exercise management influence (collectively referred to as the "White Horse Companies").

Under the Framework Agreement, Hainan White Horse has agreed to procure the White Horse Companies to perform cleaning, maintenance and other related services to the WHA Joint Venture. The Maintenance Services Agreements are for a fixed term of 10 years. Maintenance fees payable consist of a pre-determined base cost and an incentive payment which is based on the Group's discretion and awarded to those White Horse Companies that meet certain quality and performance criteria set by the WHA Joint Venture.

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- (b) A portion of the advertising revenue generated by the WHA Joint Venture was booked through Guangdong White Horse Advertising Company Limited ("GWH"), a company in which a director of the Company has an ability to exercise significant direct or indirect influence over the management. In 2001, the WHA Joint Venture and GWH have entered into an agreement which documents an arrangement between the parties relating to advertising commission which has been in place since January 1999. Under this agreement, notwithstanding the terms and conditions of the advertising agency agreements between them, to the extent that GWH does not settle amounts due from it relating to any advertising agency agreements within 12 months, GWH would not be entitled to retain any agency commission at the standard rate of 15%.
- (c) The Group entered into a Creative Services Agreement (the "Creative Services Agreement") with GWH with effect from 1 July 2001 whereby GWH agreed to provide the following creative design and production services to the Group:
- Design services for bus shelters and other outdoor advertising structures at a fixed retainer of RMB700,000 for 2001 and RMB1,000,000 for 2002;
  - Poster design services at a price of RMB15,000 per poster;
  - Design and production of a video tape or multimedia promotional materials at a price of RMB200,000 per assignment;
  - Design of sales and marketing materials at a price of RMB3,000 per page; and
  - Design of office stationary at a price of RMB150,000 per set.

The term of the Creative Services Agreement is for 18 months commencing from July 2001.

The independent non-executive directors confirmed that all the connected transactions:

- (a) had been entered into, and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business;
- (b) had been conducted either (i) on normal commercial terms (which expression shall be applied by reference to transactions of a similar nature and to be made by similar entities); or (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from (as appropriate) independent third parties; and
- (c) had been entered into either (i) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of our shareholders as a whole; or (ii) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties.

The independent non-executive directors further confirm that:

- (a) the maintenance fees payable by the Group to the White Horse Companies in relation to the Maintenance Services Arrangement did not exceed 15% of the annual turnover of the Group;
- (b) the value of sales from GWH and the advertising commission payable by the Group to GWH in relation to the advertising commission arrangement did not exceed 40% and 7% of the annual turnover of the Group, respectively; and
- (c) the service fee payable by the Group to GWH in relation to the Creative Services Arrangement did not exceed HK\$4,000,000.

The auditors of the Group have reviewed the connected transactions and confirmed to the directors that:

- (a) the transactions have received the approval of the board of directors;
- (b) the transactions were entered into in accordance with the pricing policies as stated in the Company's financial statements;
- (c) the transactions were entered into in accordance with the relevant agreements governing those transactions or if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
- (d) have not exceeded the caps set out in the respective paragraphs above.

The Group also had entered into the following connected transactions during the year ended 31 December 2001:

(a) Trademark Licence Agreements

- (i) The WHA Joint Venture entered into a Trademark Licence Agreement with Guangdong White Horse Development Parent Company ("Guangdong White Horse") dated 30 November 2001 whereby Guangdong White Horse agreed to grant to the WHA Joint Venture a licence to use the "White Horse" trade mark in whole or in part or to display any patterns, words, logo or mark of the trade mark for outdoor advertising in the PRC. The licence is renewable at the option of Guangdong White Horse at the expiry of the licence. The grant of the licence was for RMB1.00 but otherwise was royalty-free.
- (ii) The WHA Joint Venture entered into a Trademark Licence Agreement and Transfer Agreement with GWH dated 30 November 2001 whereby White Horse Advertising is to assign the "Feng Shen Bang", "Qing Tian Bang" and "Ming Deng Bang" trade marks to the WHA Joint Venture. The annual licence fee is RMB1.00. The agreement will remain in force until all the trade marks are registered in the name of the WHA Joint Venture.
- (iii) The Company entered into two Trademark Licence Agreements with Clear Channel Communications, Inc. and Clear Channel International Limited both on 28 November 2001 whereby the Company and members of the Group are granted the licence to use the "Adshel" and "Clear Channel" names, logos, symbols, emblems, insignia and other identifying materials for use in the outdoor advertising business in the PRC. The licence is for a term of five years. Upon the expiry of the licence, it is renewable at the option of Clear Channel Communications, Inc. and Clear Channel International Limited. The licence was granted for HK\$1.00 but otherwise was royalty-free.

(b) Option agreement

On 30 November 2001, China Outdoor Media Investment (Hong Kong) Company Limited ("China Outdoor Media (HK)") and Hainan White Horse entered into an option agreement which would provide China Outdoor Media (HK) an option to purchase the whole or part of Hainan White Horse's 20% interest in the WHA Joint Venture. The option may only be exercised when PRC laws and regulations permit China Outdoor Media (HK)'s shareholding in the WHA Joint Venture to be higher than 80%. The price to be paid on the exercise of the option is RMB5,000,000 for the entire 20% interest or a proportionate amount if the option is exercised in respect of a smaller percentage interest in the WHA Joint Venture. The agreement is for a term of 30 years.

Please refer to note 29 of the financial statements for a summary of the connected transactions.

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## Directors

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

### Executive directors:

Steven Yung  
Han Zi Jing  
Teo Hong Kiong  
Zou Nan Feng

### Non-executive directors:

Peter Cosgrove  
Mark Mays  
Roger Parry  
Coline McConville  
Han Zi Dian  
Chin Oi Ling Lenna (alternate director to Mr. Mark Mays)  
Tim Maunder (alternate director to Mr. Roger Parry)

### Independent non-executive directors:

Pedro Man  
Wang Shou Zi

In accordance with clause 87 of the Company's bye-laws, one-third of the directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors, but excluding the chairman of the board of directors and/or the managing director of the Company, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's bye-laws.

## Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 42 to 44 of the Annual Report.

## Directors' Service Contracts

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years commencing from 30 November 2001, which will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' interests in contracts

Save as disclosed in note 8 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the year.

## Directors' interests in shares

The shares of the Company were listed on the Stock Exchange on 19 December 2001. At the date of this report, the interests of the directors, the chief executive or 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 (CAP 396) (the "SDI Ordinance"), were as follows:

Name	Type of interest	Number of issued ordinary shares of HK\$0.10 each held in the Company	Percentage of total issued share capital
Han Zi Jing	Corporate (Note)	55,077,405	11%

*Note:* The 55,077,405 shares are held by Outdoor Media China, Inc. ("OMC"), a company incorporated in Western Samoa of Offshore Chambers. As at 31 December 2002, Mr. Han Zi Jing held approximately 94.5% of the issued share capital of Golden Profits Consultants Limited, which is the beneficial holder of 100% of the shares in OMC. The effective interest of Mr. Han in OMC is therefore 94.5%.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the ordinary shares of the Company or any of its associated corporations, as defined in the SDI Ordinance.

## Directors' Rights to Acquire Shares

Save as disclosed under the headings "Directors' interests in shares" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director, or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## Share Option Schemes

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the Group's operations. Under the Scheme, the directors may, at their discretion, invite any employees, directors or consultant of any company in the Group to acquire options. The Scheme became effective on 28 November 2001 and, unless otherwise cancelled or amended, will remain in force for seven years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option scheme of the Company pursuant to which options may from time to time be granted to directors, consultants, and/or employees of any company in the Group, shall initially not exceed 10% of the relevant class of securities of the Company in issue excluding, for this purpose, shares issued on the exercise of options under the Scheme and any other share option scheme of the Company. Upon the grant of options for shares up to 10% of the relevant class of securities of the Company and subject to the approval of the shareholders of the Company in general meetings, the maximum number of shares to be issued under this scheme when aggregated with securities to be issued under any other share option scheme of the Group, may be increased by the board of directors provided that the shares to be issued upon the exercise of all outstanding options does not exceed 30% of the relevant class of securities in issue from time to time.

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No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time.

An option may be exercised in accordance with the terms of the Scheme at any time during the option period (and not more than seven years after the date of grant). The option period will be determined by the board of directors and communicated to each grantee. The board of directors may provide restrictions on the period during which the options may be exercised. However, the board of directors retains discretion to accelerate the vesting of fixed-term options in the event that certain performance targets are met.

The subscription price for the Company's shares under the Scheme will be a price determined by the board of directors and notified to each grantee. The subscription price will be the highest of: (i) the nominal value of a share; and (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (iii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. An option shall be deemed to have been granted and accepted by an eligible participant (as defined in the Scheme) and to have taken effect when the acceptance form as described in the Scheme is completed, signed and returned by the grantee with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant.

As at 31 December 2002, the number of shares issuable under share options granted under the Scheme was 9,916,000, which represented 2% of the Company's shares in issue as at that date. The maximum number of shares in respect of which share options may be granted to each eligible participant in the Scheme within any 12-month period up to the date of the latest grant, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

On 28 November 2001, the Company also adopted a pre-IPO share option scheme conditionally as described in the Company's prospectus dated 10 December 2001. The principal terms of the Pre-IPO share option scheme, are substantially the same as the terms of the Scheme except that:

- (a) Employees, directors and consultants of the Group who have contributed substantially to the growth of the Group and to the initial public offering or full-time employees and directors of the Group are eligible to participate in the Pre-IPO share option scheme;
- (b) The subscription price for the shares under the Pre-IPO share option scheme shall be equal to the offer price; and
- (c) The Pre-IPO share option scheme will remain in force for a period commencing on the date on which the Pre-IPO share option scheme is conditionally adopted by the shareholders of the Company and ending on the day immediately prior to 19 December 2001, after which period no further options will be granted but in all other respects the provisions of the Pre-IPO share options scheme shall remain in full force and effect.

As at 31 December 2001, the number of shares issuable under share options granted under the Pre-IPO share option scheme was 19,834,000, which represented 4% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Pre-IPO share option scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.



The following share options were granted under the Pre-IPO share option scheme at the beginning of the year and the Scheme during the year for a consideration of HK\$1.00 per grant are set out below:

Name of directors	Type of share option scheme	At the beginning of the year	Granted during the year	At the end of the year	Date of grant of share options	Exercise price per share (HK\$)	Vesting period	Exercise period
Steven Yung	Pre-IPO share option scheme	2,500,000	–	2,500,000	28/11/2001	HK\$5.89	28/11/2001 to 28/11/2004	29/11/2004 to 28/11/2008
	The Scheme	–	1,250,000	1,250,000	29/06/2002	HK\$5.51	29/06/2002 to 29/06/2005	30/6/2005 to 29/06/2009
		2,500,000	1,250,000	3,750,000				
Peter Cosgrove	Pre-IPO share option scheme	1,250,000	–	1,250,000	28/11/2001	HK\$5.89	28/11/2001 to 28/11/2004	29/11/2004 to 28/11/2008
	The Scheme	–	625,000	625,000	29/06/2002	HK\$5.51	29/06/2002 to 29/06/2005	30/6/2005 to 29/06/2009
		1,250,000	625,000	1,875,000				
Han Zi Jing	Pre-IPO share option scheme	3,334,000	–	3,334,000	28/11/2001	HK\$5.89	28/11/2001 to 28/11/2004	29/11/2004 to 28/11/2008
	The Scheme	–	1,666,000	1,666,000	29/06/2002	HK\$5.51	29/06/2002 to 29/06/2005	30/6/2005 to 29/06/2009
		3,334,000	1,666,000	5,000,000				
Teo Hong Kiong	Pre-IPO share option scheme	1,200,000	–	1,200,000	28/11/2001	HK\$5.89	28/11/2001 to 28/11/2004	29/11/2004 to 28/11/2008
	The Scheme	–	600,000	600,000	29/06/2002	HK\$5.51	29/06/2002 to 29/06/2005	30/6/2005 to 29/06/2009
		1,200,000	600,000	1,800,000				
Zou Nan Feng	Pre-IPO share option scheme	800,000	–	800,000	28/11/2001	HK\$5.89	28/11/2001 to 28/11/2004	29/11/2004 to 28/11/2008
	The Scheme	–	400,000	400,000	29/06/2002	HK\$5.51	29/06/2002 to 29/06/2005	30/6/2005 to 29/06/2009
		800,000	400,000	1,200,000				
Members of senior management and other employees of the Group	Pre-IPO share option scheme	10,750,000	–	10,750,000	28/11/2001	HK\$5.89	28/11/2001 to 28/11/2004	29/11/2004 to 28/11/2008
	The Scheme	–	5,375,000	5,375,000	29/06/2002	HK\$5.51	29/06/2002 to 29/06/2005	30/6/2005 to 29/06/2009
		10,750,000	5,375,000	16,125,000				
In aggregate	Pre-IPO share option scheme	19,834,000	–	19,834,000				
	The Scheme	–	9,916,000	9,916,000				
		19,834,000	9,916,000	29,750,000				

The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share 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 the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

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The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the directors, and members of senior management and other employees of the Group, because in the absence of a readily available market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options.

Apart from the foregoing, at no time during the year ended 31 December 2002 was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Substantial Shareholders

As at 31 December 2002, the following interest of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's share Capital
Clear Channel Outdoor, Inc.	231,337,500	46.1%
The Capital Group Companies, Inc.	56,183,000	11.2%
Outdoor Media China, Inc.	55,077,405	11.0%

Saved as disclosed above, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company.

## Post Balance Sheet Event

Details of the significant post balance sheet event of the Group are set out in note 28 to the financial statements.

## Code of Best Practice

In the opinion of the directors, following the listing of the Company's shares on the Stock Exchange on 19 December 2001, the Company has complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

## Audit Committee

The Company established an Audit Committee (the "Committee") on 28 November 2001 with written terms of reference in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal controls system of the Group. The Committee comprises two independent non-executive directors and a non-executive director. The Group's financial statements for the year ended 31 December 2002 have been reviewed by the Committee, who are of the opinion that such statements comply with applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made therein.

## Remuneration Committee

The Company established a Remuneration Committee on 28 November 2001 with written terms of reference. The remuneration committee shall make recommendations to the board of directors on the Company's framework of executive remuneration and determine on behalf of the board of directors specific remuneration packages and conditions of employment for the executive directors.

## Executive Committee

The Company established an Executive Committee on 21 January 2002 with written terms of reference. The Executive Committee shall review the company operations on a regular basis, and reports to the board of directors on a regular basis.

## Material Legal Proceedings

As at 31 December 2002, the Company was not involved in any material litigation or arbitration and no material litigation or claims was pending or threatened or made against the Company as far as the board of directors was aware of.

## Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Steven Yung  
*Chairman and Executive Director*  
Hong Kong  
26 February 2003