



## REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2002.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Its subsidiaries, jointly-controlled entities and an associate are principally engaged in the operation of large scale cash-and-carry warehouse stores in the PRC, property development and investment and information technological business. Further details of the principal activities of the principal subsidiaries, jointly-controlled entities and an associate are set out in notes 17, 18 and 19 to the financial statements, respectively. Other than the disposal of associates which engaged in golf club operation, there were no changes in the nature of the Group's principal activities during the year.

### **SEGMENT INFORMATION**

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st December, 2002 is set out in note 4 to the financial statements.

### **RESULTS AND DIVIDENDS**

The Group's net profit from ordinary activities attributable to shareholders for the year ended 31st 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 21 to 74.

The Directors do not recommend the payment of any dividend in respect of the year.



## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31st December,				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
<b>RESULTS</b>					
Turnover	<b>92,999</b>	39,656	7,072	5,081	8,603
Cost of sales	<b>(80,666)</b>	(26,302)	—	—	—
Gross profit	<b>12,333</b>	13,354	7,072	5,081	8,603
Other revenue and gains	<b>137,809</b>	1,054	10,340	122	494
Selling and distribution costs	<b>(20,915)</b>	(7,772)	—	—	—
Administrative expenses	<b>(48,085)</b>	(39,477)	(13,859)	(4,812)	(8,125)
Other operating expenses	<b>(15,470)</b>	(8,870)	(10,875)	(3,522)	(833)
Profit/(Loss) from operating activities	<b>65,672</b>	(41,711)	(7,322)	(3,131)	139
Finance costs	<b>(6,760)</b>	(19,166)	(32,523)	(32,358)	(36,398)
Share of profits/(losses) of:					
Jointly-controlled entities	<b>84,195</b>	80,303	253	9,444	(35,005)
Associates	<b>(10,811)</b>	344	(4,864)	(5,873)	1,310
Profit/(Loss) before tax	<b>132,296</b>	19,770	(44,456)	(31,918)	(69,954)
Tax	<b>(6,290)</b>	(5,193)	(2,326)	(2,213)	(7,585)
Profit/(Loss) before minority interests	<b>126,006</b>	14,577	(46,782)	(34,131)	(77,539)
Minority interests	<b>(20,759)</b>	(18,602)	1,805	(3,188)	5,056
Net profit/(loss) from ordinary activities attributable to shareholders	<b>105,247</b>	(4,025)	(44,977)	(37,319)	(72,483)



## SUMMARY OF FINANCIAL INFORMATION (Continued)

	31st December,				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS, LIABILITIES AND MINORITY INTERESTS</b>					
Fixed assets	<b>50,153</b>	21,782	4,797	143	159
Investment properties	<b>75,000</b>	80,000	80,000	85,000	89,000
Negative goodwill	<b>(3,750)</b>	—	—	—	—
Deposit for acquisition of a fixed asset	<b>826</b>	—	—	—	—
Properties under development	—	194,159	191,110	187,950	187,289
Interests in jointly-controlled entities	<b>386,691</b>	666,693	681,841	785,543	642,578
Interests in associates	<b>18,847</b>	36,869	31,041	16,654	26,305
Pledged time deposits	—	—	—	—	116,637
Current assets	<b>375,157</b>	62,020	114,348	1,675	16,947
<b>Total assets</b>	<b>902,924</b>	1,061,523	1,103,137	1,076,965	1,078,915
Current liabilities	<b>86,208</b>	172,603	144,175	147,835	317,225
Interest-bearing other borrowings	—	102,358	187,986	—	—
Loans from related companies	—	35,411	15,431	237,397	35,779
Deferred income	—	33,816	55,886	55,886	55,886
<b>Total liabilities</b>	<b>86,208</b>	344,188	403,478	441,118	408,890
Minority interests	<b>155,627</b>	163,310	147,248	125,689	122,833
<b>Total liabilities and minority interests</b>	<b>241,835</b>	507,498	550,726	566,807	531,723
<b>Net assets</b>	<b>661,089</b>	554,025	552,411	510,158	547,192



## **FIXED ASSETS AND INVESTMENT PROPERTIES**

Details of movements in the fixed assets and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements.

## **SHARE OPTIONS**

Details of movements in the Company's share options during the year are set out in note 29 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is 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**

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

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

At 31st December, 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$264,488,000 (2001: HK\$280,266,000).

## **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, the turnover attributable to the Group's five largest customers accounted for less than 5% of the Group's total turnover for the year. Purchases from the Group's five largest suppliers accounted for 31% of the total purchases for the year and purchases from the largest suppliers included therein amounted to 16%.



### MAJOR CUSTOMERS AND SUPPLIERS (Continued)

None of the Directors of the Company 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 customers.

### DIRECTORS

The Directors of the Company during the year were:

#### Executive Directors:

Soopakij Chearavanont

Tse Ping

Narong Chearavanont

Supachai Chearavanont

Chatchaval Jiaravanon

Kachorn Chiaravanont

Yang Xiaoping

Robert Ping-Hsien Ho

#### Independent non-executive Directors:

Viroj Sangsrit

Chokchai Kotikula

Subsequent to the balance sheet date, on 10th February, 2003, Mr. Lee G. Lam was appointed as Vice Chairman, Chief Executive Officer and Director of the Company. In accordance with article 99 of the Company's article of association, Mr. Lee G. Lam will retire and, being eligible, will offer himself for re-election at the forthcoming Annual General Meeting.

The independent non-executive Directors of the Company are appointed for a term of one year 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.

In accordance with article 116 of the Company's articles of association, Mr. Kachorn Chiaravanont, Mr. Yang Xiaoping and Mr. Robert Ping-Hsien Ho, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.



### **DIRECTORS' SERVICE CONTRACTS**

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 other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Apart from those transactions detailed in note 36 to the financial statements, no Director had a material beneficial interest in any contract of significance to the business of the Group to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party at the balance sheet date or at any time during the year.

### **DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION**

At 31st December, 2002, the interests of the Directors in the share capital of the Company's associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

<b>Name of Director</b>	<b>Name of corporation in which notifiable interest is held</b>	<b>Number of shares held</b>
Mr. Supachai Chearavanont	Freewill Solutions Co., Ltd.	60,000

Save as disclosed above, as at 31st December, 2002, none of the Directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or its associated corporations, as defined in the SDI Ordinance.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

The interests of the Directors in the share options of the Company are separately disclosed in note 29 to the financial statements.



### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(Continued)

Save as disclosed in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of 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, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### SHARE OPTION SCHEME

Due to the adoption during the year of Statement of Standard Accounting Practice No. 34 "Employee benefits", most of the detailed disclosures relating to the Company's share option scheme have been moved to note 29 to the financial statements.

Concerning the share options granted during the year to the Directors, employees and others, detailed in note 29, the Directors do not consider it appropriate to disclose a theoretical value of the options granted, because a number of factors crucial for the valuation cannot be determined. Accordingly, any valuation of the options based on various speculative assumptions may not be meaningful but could be misleading to the shareholders.

### SUBSTANTIAL SHAREHOLDERS

At 31st December, 2002, the following interests of 10% or more in the 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:

	Number of shares held	Percentage of the Company's share capital
Ramon Limited	3,343,953,189	55.76

Mr. Dhanin Chearavanont has a 50.86% interest in Ramon Limited. Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### CONNECTED TRANSACTION

Subsequent to the balance sheet date, on 11th March, 2003, the Group entered into a conditional share purchase agreement with an independent third party to acquire 48,700,000 shares in SHV-CPF (PRC) Investment Company Limited ("SHV-CPF"), representing 50% of the issued share capital of SHV-CPF. The other shareholders of SHV-CPF, namely C.P. Merchandising Co. Ltd. and Charoen Pokphand Group Co. Ltd., are associates of the controlling shareholder of the Company. Further details of the acquisition are set out in the Company's circular dated 10th April, 2003.



## **DIRECTORS' INTEREST IN A COMPETING BUSINESS**

During the year and up to the date of this report, no Directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group, other than those business where the Directors of the Company were appointed as Directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules.

## **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

## **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Hong Kong Stock Exchange, throughout the accounting period covered by the annual report.

## **AUDIT COMMITTEE**

The Company has an Audit Committee which was established in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the two Independent Non-Executive Directors of the Company. The Audit Committee met twice during the year to review the Company's financial statements prior to the finalisation of the interim and final results.

## **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

**Robert Ping-Hsien Ho**

*Director*

Hong Kong, 11th April, 2003