

# REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December, 2002.

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the year are the operation of department stores and property investment. The analyses of the turnover and profit from operations of the Group respectively are set out in Note 2 on the financial statements.

## FINANCIAL STATEMENTS

The profit of the Group for the year ended 31st December, 2002 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 22 to 69.

An interim dividend of 17 HK cents (2001: 4 HK cents) per share was paid on 28th October, 2002 (Hong Kong time). The directors now recommend that a final dividend of 26 HK cents (2001: 12 HK cents) per share in respect of the year ended 31st December, 2002 be payable to shareholders on the Register of Members on 12th June, 2003 (Hong Kong time). Dividend warrants will be sent to shareholders on 23rd June, 2003 (Hong Kong time).

Time for closure of the Register of Members and the latest time for transfers to be dealt with in order to qualify for the final dividend are set out in the notes to the Notice of Annual General Meeting.

## AUDIT COMMITTEE

The composition of the Audit Committee is shown on page 4. The Audit Committee is a sub-committee to the Board and the principal duties of the committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has met four times from 12th April, 2002 up to the date of this report to consider the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

## RESERVES

Movements in reserves during the year are set out in Note 27 on the financial statements.

## FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 18.

## CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$11,500 (2001: HK\$40,611).

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out on pages 64 to 68.

## FIXED ASSETS

Movements in fixed assets during the year are set out in Note 13 on the financial statements.

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## INVESTMENT PROPERTIES

Details of the Group's investment properties are set out on pages 19 and 20.

## BORROWINGS

The maturity profile of borrowings, banking facilities and assets pledged are set out in Note 24 on the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively in the year.

## DEFINED CONTRIBUTION RETIREMENT PLANS

Particulars of defined contribution retirement plans of the Group are set out in Note 11 on the financial statements.

## DIRECTORS

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

Mr. Karl C. Kwok (Chairman)

Mr. Lester Kwok, J.P. (Deputy Chairman)

Dr. Bill Kwok

Mr. Mark Kwok

Dr. Kwok Man Cho

Dr. Philip Kwok, J.P.

Miss Adriana Chan

Miss Maria Tam Wai Chu, GBS, J.P. (Independent non-executive director)

Sir Oswald Victor Cheung, SC, CBE, LL.D., D.Soc.Sc., J.P. (Independent non-executive director)

Mr. Ignatius Wan Chiu Wong, LL.B. (Independent non-executive director)

Mr. Iain F. Bruce, CA, FHKSA (Independent non-executive director, appointed on 1st September, 2002)

Mr. David W. Gairns, CA, FHKSA, J.P. (Independent non-executive director, resigned on 31st August, 2002)

In accordance with Bye-Law 102(B), Mr. Iain F. Bruce retires from the Board and, being eligible, offers himself for re-election.

In accordance with Bye-Law 99, Mr. Lester Kwok, Dr. Kwok Man Cho and Sir Oswald Victor Cheung retire from the Board by rotation and, being eligible, offer themselves for re-election.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGERS

Brief biographical details in respect of Directors of the Company and senior managers of the Group are set out on pages 5 to 7.

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## CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31st December, 2002 except that independent non-executive directors are not appointed for a specific term as they are subject to rotation at Annual General Meetings in accordance with Bye-Law 99.

## DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of directors' emoluments, five highest paid individuals' emoluments and employees' emoluments are set out in Note 10 on the financial statements.

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

There is no service contract with any director which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2002, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), now Part XV of the Securities and Futures Ordinance ("SF Ordinance")) which have been notified to the Company were as follows:

### (a) The Company

	Number of ordinary shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Karl C. Kwok	320,710	90,000	–	–	410,710
Lester Kwok	489,140	50,000	–	–	539,140
Bill Kwok	798,388	335,000	255,000 (Note 1)	–	1,388,388
Mark Kwok	397,000	40,000	10,000 (Note 2)	–	447,000
Kwok Man Cho	425,400	116,500	–	–	541,900
Philip Kwok	150,000	–	–	–	150,000
Adriana Chan	101,000	–	–	–	101,000

Notes:

1. Dr. Bill Kwok is entitled to control not less than one-third of the voting power at general meetings of a company which beneficially owns 255,000 ordinary shares in the Company.
2. Mr. Mark Kwok is entitled to control not less than one-third of the voting power at general meetings of a company which beneficially owns 10,000 ordinary shares in the Company.

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### DIRECTORS' INTERESTS IN SHARES (Continued)

#### (b) Kee Wai Investment Company (BVI) Limited

	Number of ordinary shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Karl C. Kwok	11,250	–	–	–	11,250
Lester Kwok	11,250	–	–	–	11,250
Bill Kwok	11,250	–	–	–	11,250
Mark Kwok	11,250	–	–	–	11,250

Note: The above directors together control approximately 78.95% of the voting rights in Kee Wai Investment Company (BVI) Limited.

#### (c) Wing On Corporate Management (BVI) Limited

	Number of ordinary shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Kwok Man Cho	124,177	–	–	–	124,177
Philip Kwok	45,000	–	–	–	45,000

#### (d) The Wing On Fire & Marine Insurance Company Limited

	Number of ordinary shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Karl C. Kwok	324	–	–	–	324
Lester Kwok	216	–	–	–	216
Bill Kwok	216	–	–	–	216
Mark Kwok	216	–	–	–	216
Kwok Man Cho	432	–	–	–	432
Philip Kwok	324	–	–	–	324

In addition to the above, certain directors hold shares in subsidiaries on trust and as nominee for their intermediary holding companies.

Save as disclosed herein, none of the directors of the Company has any interest in the share capital of the Company or any associated corporation (as defined above) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under section 31 or Part 1 of the Schedule to the SDI Ordinance), now section 347 of the SF Ordinance, or pursuant to section 29 of the SDI Ordinance, now section 352 of the SF Ordinance, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

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## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, according to the information available to the Company, the following shareholders of the Company were interested in 10% or more of the issued share capital of the Company:

Name	Number of ordinary shares held	Shareholding percentage
(i) Wing On International Holdings Limited	180,545,138	61.13
(ii) Wing On Corporate Management (BVI) Limited	180,545,138	61.13
(iii) Kee Wai Investment Company, Limited	180,545,138	61.13
(iv) Kee Wai Investment Company (BVI) Limited	180,545,138	61.13

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against party (i) above are entirely duplicated or included in the relevant shareholdings stated against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii) and (iii) in (iv). All of the above named parties are deemed to be interested in the relevant shareholdings under the SDI Ordinance.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there is no restriction against such rights under Bermuda Law.

## AUDITORS

A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board  
**Karl C. Kwok**  
Chairman

Hong Kong, 11th April, 2003.