

# **Report of the Directors**

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

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 44 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 of the Group at that date are set out in the financial statements on pages 23 to 88.

No interim dividend was paid during the year and the directors do not recommend the payment of a final dividend for the year.

## **SUMMARY FINANCIAL INFORMATION**

A summary of the published results and of the 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 on pages 3 and 4. This summary does not form part of the audited financial statements.

## **FIXED ASSETS AND INVESTMENT PROPERTIES**

Details of movements in the fixed assets and investment properties of the Company and of the Group during the year are set out in notes 14 and 15 to the financial statements. Further summary details of the Group's investment properties are set out on page 89.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of the movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 33 and 37 to the financial statements.

## **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 of the Group during the year are set out in note 34 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31 December 2002, the Company had no reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance. The Company's share premium account, in the amount of HK\$2,429,277,000, may also be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the turnover derived from the Group's five largest customers accounted for 2.12% of the Group's turnover for the year and turnover derived from the largest customer included therein amounted to 0.82%. Purchases from the Group's five largest suppliers accounted for 74.23% of the total purchases for the year and purchases from the largest supplier included therein amounted to 43.5%.

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 and suppliers.

## DIRECTORS

The directors of the Company during the year were:

### Executive directors:

Wong Sai Chung	<i>(Chairman and Joint Managing Director)</i>
Dr. George Wang Sai Cheong	
Wong Sai Wa	<i>(Joint Managing Director)</i>
Kwan Kai Cheong	<i>(Joint Managing Director)</i>
Zhang Liping	<i>(Joint Managing Director)</i>
Wong Siu Man	
Tam Wing Tak	

### Independent non-executive directors:

Michael Dobbs-Higginson	
Professor Chiang Chiu Ping, Raymond	<i>(Appointed on 2 January 2002 and deceased on 12 August 2002)</i>
Hui Ho Ming, Herbert	<i>(Appointed on 8 November 2002)</i>
Warren Talbot Beckwith	<i>(Resigned on 2 January 2002)</i>

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## **DIRECTORS (continued)**

In accordance with article 73 of the Company's articles of association, Mr. Hui Ho Ming, Herbert will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with articles 77 to 79 of the Company's articles of association, Mr. Michael Dobbs-Higginson will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

## **DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES**

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 12 to 15 of the Annual Report.

## **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 of compensation, other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in notes 30 and 36 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

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### DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, the interests of the directors and their associates in the share capital of the Company 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:

#### Ordinary shares of the Company

Name of director	Nature of interest	Number of shares	Share options granted
Wong Sai Chung	Corporate ( <i>note a</i> )	1,851,734,762	–
Wong Sai Wa	Personal	672,970	7,050,000
Kwan Kai Cheong	Personal and family	21,350,239	7,016,000
Zhang Liping	Personal	12,790,000	1,500,000
Wong Siu Man	Corporate ( <i>note b</i> )	30,081,076	1,610,000
Tam Wing Tak	Personal and corporate ( <i>note c</i> )	672,970	1,540,000

The interests of the directors in the share options of the Company are separately disclosed in note 37 to the financial statements.

#### Notes:

- (a) Max Asialines Limited and Sanote Investments Limited, which hold 809,600,592 and 394,060,845 shares, respectively, in the Company, are wholly-owned subsidiaries of U.S. Concord (Holding) Limited which is controlled by Mr. Wong Sai Chung. Skyport Investments Limited, which holds 400,000,000 shares in the Company, is a wholly-owned subsidiary of Cebu Blue Limited. Cebu Blue Limited, which holds 57,017,311 shares in the Company, is a wholly-owned subsidiary of Concord Oil Group Limited which is, in turn, wholly-owned by Mr. Wong Sai Chung. In addition, Beaujet Development Limited and Gain Time Holdings Limited, which hold 180,011,279 and 11,044,735 shares, respectively, in the Company, are both controlled by Mr. Wong Sai Chung.
- (b) Win System Holdings Limited, which holds 30,081,076 shares in the Company, is controlled by Miss Wong Siu Man.
- (c) Smark Eagle Holdings Ltd., which holds 452,298 shares in the Company, is controlled by Mr. Tam Wing Tak.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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

# **Report of the Directors**

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

Apart from as disclosed under the headings "Directors' interests in shares" above and in the share option scheme disclosed in note 37 to the financial statements and the allotment during the year of 29,184,000 ordinary shares to Messrs. Kwan Kai Cheong and Zhang Liping, as approved at the Company's extraordinary general meeting held in 2002, details of which are set out in the Company's circular dated 16 July 2002, 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, or 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 of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 37 to the financial statements.

## **SUBSTANTIAL SHAREHOLDERS**

At 31 December 2002, no person, other than Mr. Wong Sai Chung, whose interests are set out in the section "Director's interest in shares" above, 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.

## **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of The Hong Kong Stock Exchange Limited, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms 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 articles of association.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including the review of the audited annual results for the year ended 31 December 2002 of the Group now reported on.

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 two independent non-executive directors of the Company.

## Report of the Directors

### 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

Wong Sai Chung  
*Chairman*

Hong Kong  
28 April 2003