

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31st December, 2003.

## **Principal activities**

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries comprise the provision of banking, insurance and investment services which are set out in greater detail in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## **Adoption of Chinese company name**

Pursuant to a resolution passed at the annual general meeting of the Company held on 30th May, 2003 and approved by the Registrar of Companies in Hong Kong, the Company has adopted “亞洲金融集團(控股)有限公司” as the Chinese translation of the Company's name for identification purposes.

## **Results and dividends**

The Group's profit for the year ended 31st December, 2003 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 90.

An interim dividend of HK1.8 cents per share, totalling approximately HK\$19,044,000, was paid on 24th October, 2003.

The directors recommend the payment of a final dividend of HK7.2 cents per ordinary share, totalling approximately HK\$76,178,000 in respect of the year ended 31st December, 2003, which will be payable on 28th May, 2004 in cash to shareholders on the register of members of the Company on 21st May, 2004. This recommendation has been incorporated in the financial statements as an allocation of the contributed surplus within the shareholders' equity section in the Company's balance sheet. Further details of this accounting treatment are set out in note 3 to the 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 note 24 to the financial statements.

## **Share capital**

There were no movements in either the Company's authorised or issued share capital during the year.

## Distributable reserves

At 31st December, 2003, the Company's reserves available for cash distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$310,018,000, of which HK\$76,178,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account and capital reserve, in the amount of HK\$770,811,000 may be distributed in the form of fully paid bonus shares.

## Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements.

## Five year financial summary

The results, assets, liabilities and minority interests of the Group for the last five years, as extracted from the published audited financial statements and restated as appropriate, are summarised below:

### Results

	2003 HK\$'000	Year ended 31st December,			
		2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)
Turnover	1,017,700	878,462	853,517	853,359	740,577
Net profit from ordinary activities attributable to shareholders	203,204	43,802	30,378	176,405	148,079

### Assets, liabilities and minority interests

	2003 HK\$'000	31st December,			
		2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)
Total assets	15,130,811	14,732,797	15,129,571	15,777,039	14,922,212
Total liabilities	(11,831,984)	(11,613,465)	(12,023,568)	(12,655,192)	(11,949,494)
Minority interests	(27,381)	(5,238)	(10,266)	(10,861)	(3,839)
	3,271,446	3,114,094	3,095,737	3,110,986	2,968,879

## Major customers

During the year, the Group derived less than 30% of its total income from its five largest customers.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the 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.

## Major suppliers

The Group's major subsidiaries are banking and insurance companies, which are exempted from disclosing particulars of suppliers. Accordingly, no such information is disclosed.

## Directors

The directors of the Company during the year were:

Robin Y.H. Chan, GBS, LL.D., J.P. \*

Lau Ki Chit \*

The Hon. Bernard Charnwut Chan \*

Chatri Sophonpanich

Tan Sri Frank W.K. Tsao

Dr. Leo Tung Hai Lee, GBS, LL.D., J.P. \*\*

Ng Song Hin

Dr. The Hon. Philip Y.H. Wong, GBS \*\*

Tan Eng Heng, B.B.M.(L)

Choedchu Sophonpanich

Kenneth Chi Lam Siao \*\*

Katsuya Kimura

Takeshi Ogasawara

(appointed on 4th July, 2003)

Ang Tang Chor

(resigned on 1st July, 2003)

Gen Tomii

(resigned on 4th July, 2003)

Finley Norman Middleton

(resigned on 12th September, 2003)

\* *Executive directors*

\*\* *Independent non-executive directors*

Subsequent to the balance sheet date, on 16th February, 2004, Na Wu Beng was appointed as a non-executive director of the Company.

## Directors (cont'd)

In accordance with bye-law 87(2) of the Company, Chatri Sophonpanich, Tan Sri Frank W.K. Tsao and Choedchu Sophonpanich will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 86(2) of the Company, Takeshi Ogasawara and Na Wu Beng will retire at the same general meeting and, being eligible, will offer themselves for re-election.

## Directors' service contracts

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 by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' interests and short positions in shares and underlying shares

At 31st December, 2003, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Robin Y.H. Chan	12,505,264	991,883	336,493,441 #	349,990,588	33.08
Lau Ki Chit	21,080	–	–	21,080	–
The Hon. Bernard Charnwut Chan	2,585,089	1,038,432	–	3,623,521	0.34
Chatri Sophonpanich	6,464,775	–	–	6,464,775	0.61
Tan Sri Frank W.K. Tsao	–	–	25,301,619 #	25,301,619	2.39
Ng Song Hin	–	–	15,139,827 #	15,139,827	1.43
Tan Eng Heng	346,360	–	–	346,360	0.03
Choedchu Sophonpanich	791,496	–	–	791,496	0.07

# *The shareholdings through controlled corporations in which the directors concerned were taken to be interested, as stated above, were the interests in corporations where these directors were respectively either entitled to exercise (or taken under the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.*

## Directors' interests and short positions in shares and underlying shares (cont'd)

In addition to the above, Mr. Robin Y.H. Chan has 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 and chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO.

## Directors' rights to acquire shares or debentures

At no time during the year were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, 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.

## Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

At 31st December, 2003, the following interests of 5% or more of the issued share capital of the Company were recorded in the Register of Interests in Shares and Short Positions required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company:

Name	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Asia General Holdings Ltd.	(a)	90,769,455	8.58
Bangkok Bank Public Company Limited		95,488,236	9.03
UFJ Holdings, Inc.	(b)	96,844,162	9.15
Man Tong Company Ltd.	(c), (d)	65,989,175	6.24
Cosmos Investments Inc.	(d), (e)	266,620,398	25.20

Notes:

(a) *Asia General Holdings Ltd. was beneficially interested in 16,029,375 shares of the Company. The interest held by Asia General Holdings Ltd. also comprised 13,803,957 shares held by its wholly-owned subsidiary, The Asia Insurance Co. Ltd. (Singapore), 23,978,935 shares held by its 74.58% owned subsidiary, The Asia Life Assurance Society Ltd. and 36,957,188 shares held by its wholly-owned subsidiary, Univest Securities Ltd.*

(b) *The ordinary shares are held by UFJ Bank Limited, which is wholly owned by UFJ Holdings, Inc.*

## **Substantial shareholders' and other persons' interests and short positions in shares and underlying shares (cont'd)**

- (c) *The ordinary shares are held by Man Tong Company Ltd., which is 60.5% owned by Cosmos Investments Inc.*
- (d) *These shares have been included in the interest disclosure of Mr. Robin Y.H. Chan as set out in the section "Directors' interests and short positions in shares and underlying shares" above.*
- (e) *Cosmos Investments Inc. was beneficially interested in 124,132,600 shares of the Company. The interest held by Cosmos Investments Inc. also comprised 65,989,175 shares held by its 60.5% owned subsidiary, Man Tong Company Ltd., 27,335,986 shares held by its wholly-owned subsidiary, Treasure Investments Inc., 24,520,105 shares held by its wholly-owned subsidiary, Bonham Strand Ltd. and 24,642,532 shares held by its 53.5% owned subsidiary, Asia Panich Investment Co. (HK) Ltd.*

Save as disclosed above, no persons, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **Connected transactions**

On 31st July, 2003, Asia Insurance Company, Limited, a wholly-owned subsidiary of the Company, has agreed to sell to Asia Insurance (Investments) Limited, a 57% indirect non-wholly-owned subsidiary of the Company, its entire shareholding in The People's Insurance Company of China (Hong Kong) Limited ("People's Insurance") at a consideration of HK\$10,730,449 (the "Disposal"). As the Disposal was entered into between a wholly-owned subsidiary and a non-wholly-owned subsidiary of the Company, the Disposal constituted a connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Further details of the terms and conditions of the transactions are set out in the Company's announcement dated 31st July, 2003.

## **Directors' interests in contracts**

No director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company or its subsidiaries were entered into or existed during the year.

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any person during the year ended 31st December, 2003.

## Director's interests in competing businesses

During the year and up to the date of this report, the following directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses 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, as set out below:

Name of director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Robin Y.H. Chan	Liu Chong Hing Bank Ltd.	Banking	Non-executive director
Lau Ki Chit	Summit Insurance (Asia) Ltd.	General Insurer	Non-executive director
	UOB Insurance (HK) Ltd.	General Insurer	Director

Although the companies listed above operate in similar fields as certain operations of the Company, the board of directors of the Company (the "Board") believes that the directors concerned are able to manage any potential conflicts of interest arising from their respective directorships and/or interests in such companies.

As the Board is independent from the board of directors of these companies, the Group is capable of carrying on its businesses independently of, and at an arm's length from, the businesses of these companies.

## **Brief biographical details in respect of directors and senior management staff**

### **Executive directors:**

**Robin Y.H. Chan, GBS, LL.D., J.P.**, aged 71, is the chairman and managing director of the Company. He has been working for the Group for 48 years. He is the chairman and chief executive officer of Asia Commercial Bank Limited (the "Asia Commercial Bank"), the chairman of Asia Insurance Company, Limited (the "Asia Insurance") and director of certain subsidiaries of the Group. Mr. Chan is also a director of Cosmos Investments Inc. and Man Tong Company, Ltd., both of which are substantial shareholders of the Company. Mr. Chan has been awarded the Order of Commander (Third Class) of the Most Exalted Order of the White Elephant by His Majesty, the King of Thailand and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. He is a Deputy to the Chinese National People's Congress, the Chairman of the Hong Kong Federation of Overseas Chinese Associations and the Ex-officio Life Hon. Chairman of The Chinese General Chamber of Commerce, Hong Kong. He is also a director of and an adviser to numerous other companies and has extensive experience in the banking industry. He is the brother of Mr. Chatri Sophonpanich and Mr. Choedchu Sophonpanich, who are also directors of the Company.

**Lau Ki Chit**, aged 73, is an executive director of the Company. Mr. Lau has been working for the Group for 45 years and is the chairman of the board of executive directors of Asia Insurance. He joined Asia Insurance in 1959. With over 40 years' experience in the insurance industry, he is primarily responsible for the overall policy of the Asia Insurance Group. Mr. Lau holds an engineering degree in aeronautics. He is also a director of Asia Commercial Bank and several other subsidiaries of the Group. In addition, Mr. Lau holds directorships in various external companies, including Univest Securities Ltd. As to community services, Mr. Lau sits on the board of directors of the HK Tuberculosis, Chest & Heart Diseases Association and is a member of the Hospital Governing Committee of Ruttonjee Hospital and Tang Shiu Kin Hospital. He is the chairman of Chiu Chow Association Ltd., and is the honourable chairman of the Chiu Chow Chamber of Commerce. Mr. Lau is the vice chairman of the Federation of Hong Kong Chiu Chow Community Organisations and the school manager of Chiu Chow Association Secondary School. He has been a director of the Tung Wah Group of Hospitals, the president of the Rotary Club of Hong Kong Island West and has served as a member in a number of social service organisations.



## **Brief biographical details in respect of directors and senior management staff (cont'd)**

### **Executive directors: (cont'd)**

**The Hon. Bernard Charnwut Chan**, aged 39, is an executive director and deputy managing director of the Company. Mr. Chan has been working for the Group for 14 years. He is the youngest son of Mr. Robin Y.H. Chan, the chairman and managing director of the Company. He graduated from Pomona College in California, U.S.A., and holds the positions of President of Asia Insurance and director of Asia Commercial Bank. In addition to directorships in many other subsidiaries of the Group, he also sits on the boards of City e-Solutions Ltd., Peaktop International Holdings Ltd., Pioneer Global Group Ltd. and Yau Lee Holdings Ltd. He has been appointed as a director of The Hong Kong Mortgage Corporation Ltd. and a council member of Lingnan University. He is also a member of the Mandatory Provident Fund Schemes Advisory Committee and the Insurance Advisory Committee. In addition, he serves as the chairperson of The Hong Kong Council of Social Service, the chairman of the Hong Kong-Thailand Business Council and the Standing Committee on Disciplined Services Salaries & Conditions of Service, a vice chairperson of the Community Investment and Inclusion Fund Committee, a councillor of the Legislative Council of the Hong Kong Special Administrative Region and a committee member of the Chinese People's Political Consultative Committee of the Guangxi Zhuang Autonomous Region in China.

### **Non-executive directors:**

**Chatri Sophonpanich**, aged 70, has been a non-executive director of the Company since 1997 and is currently the chairman of Bangkok Bank Public Company Ltd. He is a brother of Mr. Robin Y.H. Chan, the chairman and managing director of the Company. He received his Honorary Degree (Honoris Causa) of Doctor of Law from Pepperdine University, Malibu, California, U.S.A. in 1983 and an Honorary Degree (Honoris Causa) of Business Management from De La Salle University, Manila, the Philippines in 1987. He has won several distinctions in the business area, including being appointed chairman of the Asean Banking Council from 1987 to 1989, chairman of the Thai Bankers Association from 1986 to 1988, chairman of the Asian-Pacific Bankers Club from 1993 to 1994, a director of the International Monetary Conference in 1994, a member of the Executive Management Committee of the Association of Development and Industrial Bank of Asia in 1995, a member of the International Business Leaders' Advisory Council for the Mayor of Shanghai since 1996 and the chairman of the Thailand-U.S. Business Council since 1997. He has been awarded many royal decorations and medals, such as Commander (Third Class) of the Most Exalted Order of the White Elephant in 1978, Knight Grand Cross (First Class) of the Most Exalted Order of the White Elephant in 1983, The King's Mahidol Memorial Award in 1992 and Knight Commander (Second Class) of the Most Illustrious Order of Chula Chom Klao in 1996.

## **Brief biographical details in respect of directors and senior management staff (cont'd)**

### **Non-executive directors: (cont'd)**

**Tan Sri Frank W.K. Tsao**, aged 78, is a non-executive director of the Company and Asia Insurance. Tan Sri Tsao has been with the Group for 37 years. He is the founder of IMC Holdings Ltd. ("IMC") and has over 50 years' experience in the shipping industry. He has been the executive chairman of IMC since its formation in 1966 under the name of International Maritime Carriers (Holdings) Limited. From 1st January, 1995 until 5th May, 1997, Tan Sri Tsao assumed the position of honorary chairman of IMC. Currently, he serves as the chairman of the Hong Kong Shipowners Association, the chairman of Suntec City Development Pte Ltd., Singapore and the chairman of Great Asia Industrial Development Co. Ltd. He is also a director of numerous other companies in Hong Kong and overseas.

**Dr. Leo Tung Hai Lee, GBS, LLD, J.P.**, aged 82, has been an independent non-executive director of the Company since 1994. Dr. Lee is the chairman of Tung Tai Group of Companies and an independent non-executive director of several other publicly listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organisations, including serving as an adviser of the Advisory Board of the Tung Wah Group of Hospitals, chairman of the Association of Chairmen of the Tung Wah Group of Hospitals, chairman of the Friends of Hong Kong Association and the vice president of the China Overseas Friendship Association. Dr. Lee served as a Standing Committee member of the eighth and ninth National Committee of the Chinese People's Political Consultative Conference; an adviser on Hong Kong Affairs to the Hong Kong & Macau Affairs Office of the State Council and the Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include the Cavaliere di Gran Croce of Italy, the O.B.E. of Great Britain, the Chevalier Legion d'Honneur of France, the Commandeur de l'Ordre de Leopold II of Belgium and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

**Ng Song Hin**, aged 70, is a non-executive director of the Company and Asia Commercial Bank. He has been with the Group for 23 years. Mr. Ng was educated in Australia. He is also the chairman of Ng Song Choon & Brothers Sdn. Bhd., Kinta Realty Sdn. Bhd., KIB Development Sdn. Bhd. and Ikatana Bina Sdn. Bhd. in Malaysia. He is also the deputy chairman of Shenzhen Xengzhong Building Material Co., Ltd., and a director of Sagami Industries (M) Sdn. Bhd., Pen Apparel Sdn. Bhd. and Imperial Garments Sdn. Bhd. in Malaysia. He was the president of the Malaysian Textiles Manufacturers Association from 1979 to 1981.

## **Brief biographical details in respect of directors and senior management staff (cont'd)**

### **Non-executive directors: (cont'd)**

**Dr. The Hon. Philip Y.H. Wong, GBS**, aged 65, is an independent non-executive director of the Company and Asia Insurance. He has been with the Group for 13 years. Dr. Wong attained his BSc., MSc., JD and PhD degrees in 1963, 1967, 1982 and 1987 respectively. He is the chairman and chief executive of Winco Paper Products Co. Ltd. He is also a member of the Legislative Council of Hong Kong Special Administrative Region, a Deputy to the Chinese National People's Congress, the vice chairman of the Chinese General Chamber of Commerce and a member of the Hong Kong Trade Development Council.

**Tan Eng Heng, B.B.M. (L)**, aged 73, is a non-executive director of the Company and Asia Insurance. Mr. Tan has been with the Group for 17 years. He is the chairman of The Asia Insurance Company Limited, Singapore and The Asia Life Assurance Society Limited ("Asia Life"), Singapore. He has been with Asia Life for 45 years and has extensive experience in insurance and related businesses. He is also a director of Bukit Sembawang Estates Limited, and Singapore Reinsurance Corporation Limited. Mr. Tan was the deputy chairman of the Police and Civil Defence Services Commission and a member of the Public Service Commission and the Legal Service Commission until January 1998. He was awarded The Public Service Star and The Public Service Star (Bar) in 1984 and 1994, respectively, for his contribution to the Public Service Commission. Mr. Tan has a Bachelor of Civil Engineering degree from Union College and a Master of Science (Engineering) degree from the University of Michigan, U.S.A.

**Choedchu Sophonpanich**, aged 57, is a non-executive director of the Company and Asia Commercial Bank and an executive director of Asia Insurance. He has been with the Group for 18 years. He is a brother of Mr. Robin Y.H. Chan, the chairman and managing director of the Company. He is also a director of Cosmos Investments Inc., a substantial shareholder of the Company and the deputy chairman of Bangkok Life Assurance Company Limited. He graduated with a BSc (Econ) degree from the London School of Economics.

**Kenneth Chi Lam Siao**, aged 56, has been an independent non-executive director of the Company since 1999. He is the founder and senior partner of Messrs. Siao, Wen and Leung, Solicitors and Notaries. He obtained his Bachelor of Commerce degree (B.Com) from McGill University, Canada and his Bachelor of Laws degree (LL.B) from King's College, the University of London. He is a Notary Public, Hong Kong and a China-Appointed Attesting Officer. Mr. Siao has extensive experience in banking, commercial, corporate and property matters. He currently acts as a legal adviser to a number of banking and financial institutions.

## **Brief biographical details in respect of directors and senior management staff (cont'd)**

### **Non-executive directors: (cont'd)**

**Katsuya Kimura**, aged 59, has been a non-executive director of the Company since 2002. Currently, he is the managing director of Aioi Insurance Company, Limited and has extensive experience in the insurance field.

**Takashi Ogasawara**, aged 50, was appointed as a non-executive director of the Company in July 2003. Mr. Ogasawara is currently the general manager of UFJ Bank Limited, Planning & Administration Department of Global Banking and Trading Division, and has extensive experience in the banking business. He obtained his Bachelor of Laws degree from The Kyoto University in 1977. He is also a non-executive director of Asia Commercial Bank.

**Na Wu Beng**, aged 48, was appointed as a non-executive director of the Company on 16th February, 2004. Mr. Na is currently the Executive Vice President of Oversea-Chinese Banking Corporation Limited and has extensive experience in the banking industry. He is also a non-executive director of Asia Commercial Bank.

**Ang Tang Chor**, aged 56, was a non-executive director of the Company since August 2001. He had been the general manager of the International Division of Overseas-Chinese Banking Corporation Limited. He resigned as a director of the Company in July 2003.

**Gen Tomii**, aged 57, was a non-executive director of the Company since March 2002. Mr. Tomii had been a senior executive officer and general manager of UFJ Bank Limited, Singapore branch and has extensive experience in the banking business. He graduated from Hitotsubashi University with a degree in sociology. He resigned as a director of the Company in July 2003.

**Finley Norman Middleton**, aged 58, was a non-executive director of the Company since October 1999. He had been the executive vice-president of Asia/Pacific of CNA International, based in Singapore. He had been the senior vice-president of Chubb Insurance Co. of Europe and Country Manager, Italy, overseeing the operation of the company in Central and Eastern Europe. He had prior assignments in Brazil, South Africa, Kenya, Italy, Denmark, The Netherlands, Austria and Singapore, in insurance claims, general management, strategic planning and underwriting with CIGNA and AIG. He received his undergraduate and postgraduate degrees from Hobart College, The American Graduate School for International Management and The New School for Social Research. He is also a past member of the International Business Advisory Council and the American Graduate School of International Management. He resigned as a director of the Company in September 2003.

## **Employees and remuneration policy**

The total number of employees of the Group was approximately 546 at the balance sheet date (2002: 590). Annual remuneration increments and promotions are determined through a performance-oriented appraisal system, with the basic pay structure being reviewed from time to time to reflect market trends. In addition to the basic salary, employees also receive an annual bonus based on both the Group's and their individual performance. Housing loans, and medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the year. The Group also offers various training and induction programmes to its employees.

## **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.

## **Donations**

During the year, the Group made charitable donations totalling HK\$1,301,000 (2002: HK\$192,000).

## **Pre-emptive rights**

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

## **Compliance with the Code of Best Practice**

The Group complied fully with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules as recommended by The Stock Exchange of Hong Kong Limited during the year, except that the non-executive directors of the Company are not appointed for any specific terms of office as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

## **Audit committee**

The Company has an audit committee in accordance with the Code as set out in Appendix 14 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The present members of the audit committee are Dr. The Hon. Philip Y.H. Wong, GBS, Mr. Kenneth Chi Lam Siao and Mr. Ng Song Hin.

## **Auditors**

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

ON BEHALF OF THE BOARD

**Robin Y.H. Chan**

*Chairman*

Hong Kong

23rd March, 2004