

# REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2003.

## 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 by business and geographical segments respectively are set out in Note 2 on the financial statements.

## FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2003 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 24 to 73.

An interim dividend of 13 HK cents (2002: 17 HK cents) per share was paid on 27 October 2003 (Hong Kong time). The directors now recommend that a final dividend of 39 HK cents (2002: 26 HK cents) per share in respect of the year ended 31 December 2003 be payable to shareholders on the Register of Members on 9 June 2004 (Hong Kong time). Dividend warrants will be sent to shareholders on 16 June 2004 (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 6. 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 12 April 2003 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 28 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 20.

## CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$57,500 (2002: HK\$11,500).

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out on pages 68 to 72.

## 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 21 and 22.

## 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, SBS, J.P.

Miss Adriana Chan

Miss Maria Tam Wai Chu, GBS, 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)

Sir Oswald Victor Cheung, SC, CBE, LLD, D.Soc.Sc., J.P. (Independent non-executive director, passed away on 10 December 2003)

It is with deep regret that the Directors have to record the death of Sir Oswald Victor Cheung on 10 December 2003.

In accordance with Bye-Law 99, Dr. Philip Kwok, Dr. Bill Kwok and Mr. Ignatius Wong 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 7 to 9.

## 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 31 December 2003 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.

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## 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 31 December 2003, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO were as follows:

### (a) The Company

Name of Director	Number of ordinary shares held					Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	
Karl C. Kwok	320,710	40,000	–	–	360,710	0.12
Lester Kwok	489,140	–	–	–	489,140	0.17
Bill Kwok	798,388	295,000	255,000 (Note 1)	–	1,348,388	0.46
Mark Kwok	397,000	20,000	10,000 (Note 2)	–	427,000	0.14
Kwok Man Cho	425,400	116,500	–	–	541,900	0.18
Philip Kwok	150,000	–	–	–	150,000	0.05
Adriana Chan	101,000	–	–	–	101,000	0.03

Notes:

1. Dr. Bill Kwok is entitled to control not less than one-third of the voting power at general meetings of a private 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 private 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

Name of Director	Number of ordinary shares held				Total interests	Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	11,250	–	–	–	11,250	19.74
Lester Kwok	11,250	–	–	–	11,250	19.74
Bill Kwok	11,250	–	–	–	11,250	19.74
Mark Kwok	11,250	–	–	–	11,250	19.74

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

Name of Director	Number of ordinary shares held				Total interests	Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests		
Kwok Man Cho	124,177	–	–	–	124,177	5.24
Philip Kwok	35,000	–	–	–	35,000	1.48

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

Name of Director	Number of ordinary shares held				Total interests	Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	324	–	–	–	324	0.02
Lester Kwok	216	–	–	–	216	0.01
Bill Kwok	216	–	–	–	216	0.01
Mark Kwok	216	–	–	–	216	0.01
Kwok Man Cho	432	–	–	–	432	0.02
Philip Kwok	324	–	–	–	324	0.02

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## DIRECTORS' INTERESTS IN SHARES (Continued)

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 nor the chief executives of the Company has any interest or short positions in any shares, underlying shares and debentures of the Company or any associated association (as defined above) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to section 347 of the SFO or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares held	Total interests as % of the issued share capital
(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 (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 in the relevant shareholdings stated against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii). All of the above named parties are deemed to be interested in the relevant shareholdings under the SFO.

## SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of public exceeds 25% of the Company's total number of issued shares.

## 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.

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## 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, 15 April 2004.