

## 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 2001.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the year consist of operation of transportation and storage facilities for crude oil and sale of instant food products which was ceased in December 2001.

### FINANCIAL STATEMENTS

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements on pages 25 to 65.

The Board has resolved not to recommend the payment of a dividend for the year ended 31 December 2001 (2000: RMB Nil).

### CHANGE OF COMPANY'S NAME

Pursuant to a special resolution passed on 15 May 2001, the name of the Company was changed from PNF Food Holdings Limited to GeoMaxima (Hong Kong) Holdings Limited and the Company adopted the Chinese name 捷美(香港)控股有限公司 as part of its legal name.

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	29.0%	
Five largest customers in aggregate	77.6%	
The largest supplier		8.5%
Five largest suppliers in aggregate		27.2%

One of the Group's five largest suppliers is owned as to 84% by Guangxi Havle Foodstuff Group ("Guangxi Havle Group"). The shareholders of Guangxi Havle Group were also directors of the Company during the year and all of them resigned during the year. Its supply of packaging materials to the Group accounted for approximately 6.6% of the Group's total purchases for the year (2000: 7.6%). Please refer to note 29 (a) to the financial statements for details of the connected transactions with Guangxi Havle Group.

Except for the indirect interest as disclosed above, so far as the Board is aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any beneficial interest in the Group's five largest customers and/or five largest suppliers.

## REPORT OF THE DIRECTORS

### **FIXED ASSETS**

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

### **SUBSIDIARIES AND ASSOCIATES**

Particulars of the Company's subsidiaries, associates are set out in notes 16 and 17 to the financial statements, respectively.

### **BORROWINGS**

Details of the Group's borrowings at the balance date are set out in note 22 to the financial statements.

### **SHARE CAPITAL, SHARE OPTIONS AND WARRANTS**

Details of the movements in the share capital, share options and warrants of the Company during the year, together with reasons therefor, are set out in note 26 to the financial statements.

### **RETAINED PROFITS AND RESERVES**

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

### **DISTRIBUTABLE RESERVES**

As at 31 December 2001, the Company's reserves available for cash distribution amounted to approximately RMB86,716,000 (2000: RMB86,716,000). In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances.

### **FIVE YEAR FINANCIAL SUMMARY**

The results, assets and liabilities of the Group for the last five financial years are summarised on page 3.



## REPORT OF THE DIRECTORS

### DIRECTORS

The directors of the Company during the year were:

#### Executive Directors

Mr. Zhu Jia Zhen ( <i>Chairman</i> )	(appointed on 26 April 2001)
Mr. Sun Tian Gang ( <i>Deputy Chairman</i> )	
Mr. Guo Ting	(appointed on 26 April 2001)
Mr. Wong Nam Ling	(appointed on 26 April 2001)
Mr. Li Han Chao	(resigned on 31 December 2001)
Mr. Wu Bang Jie	(appointed on 26 April 2001 and resigned on 9 February 2002)
Mr. Li Han Rong	(resigned on 26 April 2001)
Mr. Wei Qing Wen	(resigned on 26 April 2001)
Mr. Chen Ching	(resigned on 26 April 2001)
Madam Cheng Hung Mui	(resigned on 26 April 2001)

#### Non-executive Directors

Mr. Zhao Xin Xian	(appointed on 26 April 2001)
Mr. Li Jun Jie	(resigned on 26 April 2001)

#### Independent non-executive Directors

Mr. Yu En Guang	(appointed on 26 April 2001)
Mr. Zhang Xue Min	(appointed on 4 December 2001)
Ms. Chong Sok Un	(appointed on 26 April 2001 and resigned on 4 December 2001)
Mr. Wang Wei Hung	(resigned on 26 April 2001)
Mrs. Yip Susan	(resigned on 26 April 2001)

In accordance with the Company's bye-law 86(2), Mr. Zhang Xue Min shall hold office until the forthcoming annual general meeting and will retire and, being eligible, will offer himself for re-election. Messrs. Sun Tian Gang, Guo Ting and Wong Nam Ling will retire by rotation in accordance with the Company's bye-law 87 and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other remaining directors continue in office.

### DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting had a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.



## REPORT OF THE DIRECTORS

### DIRECTORS' INTEREST IN SHARES

The directors of the Company who held office at 31 December 2001 had the following beneficial interests in the issued share capital of the Company and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) ("SDI Ordinance") at that date as recorded in the register of directors' share interests:

Name of Director	Number of shares	Nature of interests	Name of Company
Sun Tian Gang	1,662,795,650 shares	Corporate (Note)	the Company
	60,000,000 shares	Personal	the Company
Guo Ting	3,000,000 shares	Personal	the Company
Wong Nam Ling	50,000,000 shares	Personal	the Company

Note: 1,662,795,650 shares were owned by China GeoMaxima Co., Ltd., a company wholly owned by Mr. Sun Tian Gang.

Save as disclosed above, none of the directors of the Company or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance which were recorded in the register of directors' share interests.

### SHARE OPTIONS

Pursuant to a written resolution passed on 6 January 2000, a share option scheme (the "Old Share Option Scheme") was approved and the directors may, at their discretion, within the period of ten years from the date on which it is adopted by the Company to invite any employee or director of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board which will not be less than 80% of the average closing price of the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is higher.

The maximum number of shares in respect of which options may be granted under the Old Share Option Scheme of the Company may not (when aggregated with shares subject to any other employee share option scheme) exceed in nominal amount 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of any options granted under the Old Share Option Scheme (or any other employee share option scheme).

With effect from 1 September 2001, the Stock Exchange requires that the exercise price of options to be at least the higher of the closing price of the shares on the Stock Exchange on the date of grant and the average closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant.



## REPORT OF THE DIRECTORS

Pursuant to an ordinary resolution passed by the shareholders of the Company on 6 March 2002, the Old Share Option Scheme was terminated and a new share option scheme (the "New Share Option Scheme") was adopted, which is in full compliance with the relevant requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange. Upon termination of the Old Share Option Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. The New Option Scheme became effective on 6 March 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. As at the date of this report, no options have been granted under the Old Share Scheme or the New Share Scheme on or after 1 September 2001.

At 31 December 2001, the directors and employees of the Company had the following personal interests in options to subscribe for shares of the Company granted at nominal consideration under the Company's share option scheme. Each option gives the holder the right to subscribe for one share.

Directors	Number of* options outstanding as at 1 January 2001	Number of* options exercised during the year	Number of* options outstanding as at 31 December 2001	Date granted	Exercise period	Exercise* price HK\$	Share price**	
							At grant date of options HK\$	At exercise date of options HK\$
Sun Tian Gang	60,000,000	60,000,000	Nil	4 August 2000	4 August 2000 to 3 August 2005	0.084	0.105	0.56
Wong Nam Ling	50,000,000	50,000,000	Nil	4 August 2000	4 August 2000 to 3 August 2005	0.084	0.105	0.28
Chen Ching***	5,000,000	5,000,000	Nil	4 August 2000	4 August 2000 to 3 August 2005	0.084	0.105	0.31
Aggregate total of employees	135,000,000	85,000,000	50,000,000	4 August 2000	4 August 2000 to 3 August 2005	0.084	0.105	0.63

\* adjusted for the effect of the share subdivision.

\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of share options within the disclosure category.

\*\*\* Mr. Chen Ching resigned as a Director of the Company on 26 April 2001.

## REPORT OF THE DIRECTORS

Save as disclosed above, at no time during the year was the Company or any of its associated corporations a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **SUBSTANTIAL SHAREHOLDERS**

At 31 December 2001, the following person was interested directly or indirectly and/or deemed to be interested in 10% or more of the issued share capital of the Company, as recorded in the register of interests required to be maintained by the Company pursuant to Section 16(1) of the SDI Ordinance:

<b>Name</b>	<b>Number of Shares</b>	<b>Approximate percentage of interests</b>
China GeoMaxima Co., Ltd.	1,662,795,650	56.61%

Save as disclosed above, the Company is not aware of any other parties holding 10% or more in the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### **DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS**

Particulars of the directors' remuneration and highest paid individuals' emoluments are set out in note 6 and note 7 to the financial statements respectively.

### **RETIREMENT SCHEMES**

The employees of Group's subsidiaries in the PRC are members of retirement schemes operated by local authorities in the PRC. The PRC subsidiaries have provided RMB1,562,000 as contributions to the retirement schemes for the year ended 31 December 2001 (2000: RMB1,325,000).

The Group also operates a defined contribution scheme covering full time employees in Hong Kong. Both the Group and the relevant employees are required to make a monthly cash contribution equivalent to 5% of the relevant employees' salaries.

## REPORT OF THE DIRECTORS

### CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

- A. Details of significant related party transactions of the Group, which also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out in note 29 to the financial statements.

With respect to the ongoing connected transactions entered into by the Group as set out in note 29 to the financial statements, The Stock Exchange of Hong Kong Limited (the "Exchange"), on application by the Company, granted to the Company a waiver from strict compliance with the connected transaction requirements as set out in the Listing Rules. In the opinion of the independent non-executive directors, the ongoing connected transactions were:

- (i) conducted in the ordinary and usual course of the Group's business;
  - (ii) on normal commercial terms or on terms no less favourable than terms available to or from independent third parties;
  - (iii) in accordance with relevant agreements on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interest of the Company as a whole; and
  - (iv) within the relevant annual cap amounts as agreed by the Exchange.
- B. For the year ended 31 December 2001, certain Group's sales and purchases were transacted with Guangxi Havle Group. The shareholders of Guangxi Havle Group were directors of the Company during the year and all of them also resigned during the year. Details of which are set out in note 29 to the financial statements.

Save as disclosed above:

- (i) no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had material interest, whether directly or indirectly; and
- (ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

### PRE-EMPTIVE RIGHTS

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

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### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the annual report, except that all non-executive directors of the Company are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

### AUDIT COMMITTEE

The Company established an audit committee on 6 January 2000 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The audit committee comprises Messrs. Yu En Guang and Zhang Xue Min, the two independent non-executive directors of the Company. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

### AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

**Zhu Jia Zhen**

*Chairman*

Hong Kong, 12 April 2002