

# Report of the Directors

The directors have pleasure in presenting their report and the audited financial statements of the Company and the Group for the year ended 30 June 2001.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consist of the manufacture and sale of aluminium and stainless steel products and the provision of design and testing services for aluminium products. During the year, the Group commenced the business of web sites operation and related e-business of trading of aluminium products on the Internet.

In addition, the Group has diversified into the business of the development of designs and technologies for applications in environmental protection products through the acquisition of new subsidiaries. Owing to unforeseen technical difficulties arising during the pilot production stage of this new business, mass production and commercial launching of the products have been postponed. In view of the uncertainties involved and unfavourable changes in market conditions, the directors have concluded that it is not in the interests of the Group to incur further expenditures on the development and commercialisation of this business, which accordingly was terminated subsequent to the balance sheet date through the disposal of the Company's entire equity interests in the subsidiaries undertaking this business. Further details in relation to the cessation of the business and related disposal of subsidiaries are set out in note 31(b) to the financial statements. Other than the foregoing, there were no significant changes in the nature of the Group's principal activities during the year and up to the date of this report.

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## **CHANGE OF COMPANY NAME**

Pursuant to a special resolution passed by the Company's shareholders at a special general meeting held on 12 June 2001, in order to reflect the Company's core business as described in the section "Principal activities" above, the name of the Company was changed to Asia Aluminum Holdings Limited with effect from 12 June 2001.

## **SEGMENTAL INFORMATION**

An analysis of the Group's turnover and contribution to profit from operating activities for the year ended 30 June 2001 by principal activity and geographical area of operations is set out in notes 4 and 5 to the financial statements respectively.

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## **RESULTS AND APPROPRIATIONS**

The Group's profit for the year ended 30 June 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 42.

During the year, an interim dividend of HK1.0 cent per ordinary share was declared and paid to the shareholders of the Company. In addition, a bonus issue of 1,112,047,280 ordinary shares in the Company was distributed to the Company's shareholders whose names were on the Register of Members of the Company on 20 April 2001, on the basis of one share for every share then held by them.

The directors recommend and incorporate in the financial statements the payment of a final dividend of HK1.0 cent per ordinary share and a special dividend of HK3.5 cents per ordinary share to the shareholders whose names appearing on the Register of Members on 7 December 2001.

## **FIVE YEAR FINANCIAL 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 3.

## **FIXED ASSETS**

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

## **SUBSIDIARIES**

Particulars of the Company's principal subsidiaries are set out in note 13 to the financial statements.

## **BANK LOANS AND OTHER BORROWINGS**

Particulars of the bank loans and other borrowings of the Group are set out in notes 21 to 24 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

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

## **SHARE CAPITAL, SHARE PREMIUM, SHARE OPTIONS AND WARRANTS TO ACQUIRE SHARES**

Details of the movements in the Company's share capital, share premium, share options and warrants to acquire shares in the Company during the year, together with reasons thereof, are set out in notes 25 and 26 to the financial statements.

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## RESERVES

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

## DISTRIBUTABLE RESERVES

At 30 June 2001, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus account and retained profits, amounted to HK\$358,272,000. In addition, the Company's share premium account with a balance of HK\$816,488,000 can be distributed in the form of fully paid bonus shares.

## PENSION SCHEME AND COSTS

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), the Group has enrolled its eligible employees of Hong Kong residents aged between 18 and 65 into a mandatory provident fund scheme (the "Scheme") commencing from 1 December 2000.

The Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the Scheme are held separately from the assets of the Group, the trustee and other renderers of services in an independently administered fund. Employer's contributions are made to the Scheme at 5% of individual employee's relevant income as defined in the MPF Ordinance up to a maximum monthly contribution of HK\$1,000. An employee voluntary contribution of equivalent amount is also contributed to the Scheme for individual employee whose relevant income exceeds an amount of HK\$4,000 per month. These contributions are fully and immediately vested in the employees as accrued benefits upon payment. Investment income and gains derived from the investment of the funding accumulated under the Scheme, after taking into account any investment losses and remuneration payable to the trustee and other renderers of services, are also immediately vested in the employees.

The employer's cost of contribution incurred during the year and charged to the profit and loss account are set out in note 5 to the financial statements.

Apart from the Scheme, at no time during the year did the Company or any of its subsidiaries operate any pension or provident scheme, or incur any cost thereon for the benefit of the directors and employees of the Company and its subsidiaries.

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## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's five largest customers accounted for 45.5% of the Group's total turnover and turnover from the largest customer included therein amounted to 19.2%.

Purchases from the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

As far as the directors are aware, none of the directors, their respective associates, and those shareholders who to the knowledge of the directors owned more than 5% of the Company's issued share capital had any interest in the Group's five largest customers and suppliers.

## DIRECTORS

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

### Executive directors:

Mr. Kwong Wui Chun (*Chairman*)

Mr. Hung Pann Yi (*Deputy Chairman*)

Mr. Zhong Jianqiu (appointed on 14 June 2001)

Mr. Tse Nam, Michael (resigned on 1 July 2001)

### Independent non-executive directors:

Mr. Ma Tsz Chun (appointed on 14 June 2001)

Mr. Gan Ming Hui (appointed on 14 June 2001)

Mr. Li Kar Keung, Caspar (retired on 29 December 2000)

Mr. Chiu Pak Yue, Leo (resigned on 29 June 2001)

Mr. Fan Chi Fai, Paul (resigned on 29 June 2001)

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Hung Pann Yi will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 115 of the Company's Bye-laws, Messrs. Zhong Jianqiu, Ma Tsz Chun and Gan Ming Hui will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 31 to 34.

## DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors and five highest paid employees are set out in note 6 to the financial statements.

## DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Kwong Wui Chun, Hung Pann Yi and Tse Nam, Michael, executive directors of the Company, has entered into a service contract dated 19 February 1998 (as amended by a deed of amendment dated 7 June 2001 and in the case of Mr. Kwong Wui Chun, further amended by a supplemental agreement dated 20 September 2001) with the Company for an initial term of three years commencing 1 January 1998. On their initial expiry, these service contracts will each continue for successive periods of one year each until terminated by not less than six months' written notice served by either party to the other. The service contract of Mr. Tse Nam, Michael was terminated subsequent to the balance sheet date on 1 July 2001 upon his resignation from office.

Apart from the foregoing, no director has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

- (a) Share options granted on 21 July 1999 and exercisable during the period from 21 July 1999 to 20 July 2000, each of which would entitle the holder to subscribe for one share in the capital of the Company at an exercise price of HK\$1.12:

Name of director	Number of share options		
	Outstanding at beginning of the year	Exercised during the year	Outstanding at end of the year
Mr. Kwong Wui Chun	9,750,000	9,750,000	—
Mr. Hung Pann Yi	9,750,000	9,750,000	—
Mr. Tse Nam, Michael	9,750,000	9,750,000	—

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## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

- (b) Share options granted on 28 October 1999 and exercisable during the period from 28 October 1999 to 27 October 2000, each of which would entitle the holder to subscribe for one share in the capital of the Company at an exercise price of HK\$0.73:

Name of director	Number of share options		
	Outstanding at beginning of the year	Exercised during the year	Outstanding at end of the year
Mr. Kwong Wui Chun	6,500,000	6,500,000	—
Mr. Hung Pann Yi	1,600,000	1,600,000	—

- (c) Share options granted on 26 February 2001 and exercisable during the period from 26 February 2001 to 25 February 2004, each of which entitles the holder to subscribe for one share in the capital of the Company at an exercise price of HK\$0.4312 (subject to adjustments):

Name of director	Originally granted	Number of share options		
		As adjusted for the effect of bonus issue of shares in the Company	Exercised during the year	Outstanding at end of the year
Mr Zhong Jianqiu	8,600,000	17,200,000	—	17,200,000

Apart from the foregoing, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Further details of the Company's share options are set out in note 25 to the financial statements.

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## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2001, the interests of the directors in the securities of the Company and its associates as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company, were as follows:

Name of director	Nature of interest	Number of shares held	Percentage of the issued share capital	Number of warrants held
Mr. Kwong Wui Chun	Personal	178,393,488	7.99%	3,970,908
	Corporate ( <i>Note</i> )	826,020,000	36.98%	83,120,000
Mr. Hung Pann Yi	Personal	28,200,000	1.26%	700,000
Mr. Zhong Jianqiu	Personal	1,668,000	0.07%	766,800
Mr. Tse Nam, Michael	Personal	29,200,000	1.31%	1,100,000

*Note:*

These securities are held by Viewlink Assets Limited, a company incorporated in the British Virgin Islands. Mr. Kwong Wui Chun is deemed to be interested in these shares and warrants under the SDI Ordinance as he is the sole beneficial owner of Viewlink Assets Limited.

Save as disclosed above, none of the directors or their respective associates had any personal, family, corporate or other interest in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 3 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors of the Company has interest in a business which competes or may compete with the business of the Group.

## MANAGEMENT CONTRACTS

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

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## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in the section “Directors’ interests in securities” above for interest of Mr. Kwong Wui Chun and his associate, Viewlink Assets Limited, in securities of the Company as at 30 June 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that as at 30 June 2001, the Company had not been notified of any other substantial shareholders’ interests, being 10% or more of Company’s issued share capital.

## **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.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year covered by this annual report, except that the independent non-executive directors of the Company are not appointed for specific period but are subject to retirement by rotation at the annual general meeting. In the opinion of the directors, this meets with the same objective of the Code of Best Practice.

## **RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS**

Details of related party transactions and connected transactions of the Company and the Group are set out on pages 49 to 51 in note 3 to the financial statements. In the opinion of the independent non-executive directors, these transactions were:

- (a) entered into in the ordinary and usual course of business of the Group;
- (b) conducted in accordance with the terms of the relevant agreements governing the transactions;
- (c) conducted on terms no less favourable than those available to/from independent third parties;
- (d) fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) where there is a limit on the amount of such transactions, the aggregate value of such transactions did not exceed the maximum limit imposed by the Stock Exchange.



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## **RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS** *(continued)*

The auditors of the Company have reviewed such transactions and confirmed in writing to the board of directors of the Company stating that:

- (a) such transactions have received the approval of the board of directors of the Company;
- (b) such transactions have been entered into in accordance with the terms of agreements and where applicable, the Group's pricing policies for such transactions; and
- (c) where there is a limit on the amount of such transactions, the aggregate value of such transactions did not exceed the maximum limit imposed by the Stock Exchange.

## **AUDIT COMMITTEE**

To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has an audit committee, established for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The audit committee currently comprises two independent non-executive directors of the Company, namely Messrs. Ma Tsz Chun and Gan Ming Hui.

## **AUDITORS**

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

ON BEHALF OF THE BOARD

**Kwong Wui Chun**

*Chairman*

Hong Kong  
26 October 2001