

# Report of the Directors

The directors have pleasure in presenting their report together with the audited accounts for the year ended 31st December, 2001.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 26 to the accounts.

An analysis of the Group's turnover, revenue and segment information for the year by geographical segments is set out in Note 2 to the accounts.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 36.

The directors have declared an interim dividend of 6 Hong Kong cents per ordinary share, totalling HK\$21,600,000, which was paid on 28th September, 2001.

The directors recommend the payment of a final dividend of 7.2 Hong Kong cents per ordinary share, totalling HK\$25,920,000.

## RESERVES

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

As at 31st December, 2001, the Company had distributable reserves amounting to HK\$193,577,000 (2000: HK\$166,577,000), including contributed surplus of HK\$165,739,000 (2000: HK\$165,739,000) which is distributable subject to conditions as set out above.

Movements in the reserves of the Group and the Company during the year are set out in Notes 20 and 21 to the accounts.

## DONATIONS

Charitable donations made by the Group during the year amounted to HK\$86,000.

## FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in Note 13 to the accounts.

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## SHARE CAPITAL

Details of the movements in the share capital are set out in Note 19 to the accounts.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 26 to the accounts.

## BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts of the Group are set out in Note 18 to the accounts.

## 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 10.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## SHARE OPTIONS

On 23rd February, 2000, a Share Option Scheme (the "Scheme") was approved by the sole shareholder of the Company. Details of the Scheme are as follows:

### (i) Qualifying participants

Any full-time employees or executives of the Company or its subsidiaries (including full-time executive directors of the Company or its subsidiaries).

### (ii) Maximum number of shares

The total number of shares subject to the Scheme must not when aggregated with any shares subject to any share option schemes exceed 10% of the shares in issue from time to time (excluding any shares which have been duly allotted and issued upon the exercise of options granted pursuant to the Scheme or another scheme). The total number of shares available for issue under the Scheme is 36,000,000 which is 10% of the issued share capital as at the date of the annual report.

No qualifying participant shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

## REPORT OF THE DIRECTORS

**(iii) Option period**

In respect of any particular option, such period the directors may in its absolute discretion determine, save that such period shall not expire more than 10 years from the commencement date (the “Commencement Date”), which is deemed to have taken effect from the date on which that option was offered to the grantees and accepted by the grantees.

**(iv) Amount payable on application or acceptance**

An offer of the grant of an option shall remain open for acceptance for a period of 30 days from the date on which the option is offered. An offer of the grant of the option shall be deemed to have been accepted when the duplicate offer document constituting acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration of the grant thereof is received by the Company.

**(v) Subscription price**

The subscription price in respect of any particular option shall be such price as the directors may in its absolute discretion determine at the time of grant of the relevant option but shall not be less than whichever is the greater of (i) 80% of the average of the official closing price of the Company’s shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the 5 trading days immediately preceding the Commencement Date, or (ii) HK\$0.10 being the nominal value per share.

**(vi) The remaining life of the Scheme**

The directors shall be entitled at any time within 10 years commencing on 23rd February, 2000 to offer the grant of an option to any qualifying participants.

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Details of the share options granted and outstanding as at 31st December, 2001 are as follows:

	Options held at 1st January, 2001	Options granted during the year (Note)	Options held at 31st December, 2001	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
Mr Rusli Hendrawan	-	8,000,000	8,000,000	0.906	31st August, 2001	1st September, 2002	31st August, 2005
Mr Lee Sheng Kuang, James	-	8,000,000	8,000,000	0.906	31st August, 2001	1st September, 2002	31st August, 2005
Mr Oey Tjie Ho	-	2,000,000	2,000,000	0.906	31st August, 2001	1st September, 2002	31st August, 2005
Mr Tang Chak Lam, Charlie	-	2,000,000	2,000,000	0.906	31st August, 2001	1st September, 2002	31st August, 2005
Other continuous contract employees	-	16,000,000	16,000,000	0.906	31st August, 2001	1st September, 2002	31st August, 2005

Note: At the date before the options were granted, 30th August, 2001, the closing price per share was HK\$1.13.

Rule 17.08 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") stipulates that the listed issuer is encouraged to disclose in its annual report and interim report the value of options granted to participants set out in (i) to (v) of Rule 17.07 during the financial year, and the accounting policy adopted for the share options. The directors consider it inappropriate to value as a number of factors critical for the valuation cannot be determined accurately. Therefore, the directors consider that any valuation of the options based on various speculative assumptions would not be meaningful but would potentially be misleading to the shareholders.

## REPORT OF THE DIRECTORS

### DIRECTORS

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

Mr Rusli Hendrawan (*Chairman*)

Mr Lee Sheng Kuang, James (*Managing Director*)

Mr Oey Tjie Ho

Mr Tang Chak Lam, Charlie

Mr Lam Chi Kuen, Frank\*\* (appointed on 3rd April, 2001)

Mr Lau Siu Ki, Kevin\*\* (appointed on 20th February, 2002)

Mr Cheng Wing Chung\* (resigned on 3rd April, 2001)

Ms Choy Hok Man, Constance\* (resigned on 29th June, 2001)

Ms Ho Main Wai, Amy\*\* (resigned on 20th February, 2002)

Mr Yu Hon To, David\*\* (resigned on 20th February, 2002)

\* *Non-executive director*

\*\* *Independent non-executive director*

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr Lau Siu Ki, Kevin shall retire from office at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Bye-law 87(1) of the Company's Bye-laws, Mr Oey Tjie Ho shall retire and, being eligible, offer himself for re-election.

### BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of directors are set out on page 13.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing 1st January, 2000, which may be terminated by either party thereto giving to the other party six months' prior notice in writing.

Save as disclosed above, none of the directors who are 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 Note 25 to the accounts, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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## CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions. Details of such connected transactions are set out below:

The connected transactions under the Listing Rules are the management fees received from Shinning Century Limited ("SCL") by Carry Wealth Limited ("CWL"), which is disclosed herein in accordance with a waiver previously granted by the Listing Division of the Stock Exchange. In the opinion of the independent non-executive directors of the Company, these transactions were carried out:

- (a) (i) in the ordinary course of business of CWL and SCL;
- (ii) on normal commercial terms; and
- (iii) fair and reasonable so far as the shareholders are concerned.
- (b) the aggregate amount of the management fees for the year ended 31st December, 2001 did not exceed the amount of 3% of the audited consolidated net tangible assets value of the Group during the year.

The auditors of the Company have reviewed the transactions between SCL and CWL and confirmed to the board of directors of the Company in writing that in relation to such transactions occurring during the year ended 31st December, 2001, (i) the transactions have been carried out in accordance with the terms of the relevant agreement; and (ii) the aggregate management fees received by CWL from SCL have not exceeded 3% of the Group's audited consolidated net tangible assets value for that year.

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### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December, 2001, the interests of the directors and chief executive of the Company in the equity or debt securities of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as recorded in the register of directors’ interests kept by the Company under Section 29 of SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) are as follows:

#### The Company

Name of director	Number of ordinary shares				Total interests	Number of share options held
	Corporate interests (Note)	Personal interests	Family interests	Other interests		Personal interests
Mr Rusli Hendrawan ("Mr Rusli")	162,000,000	–	–	–	162,000,000	8,000,000
Mr Lee Sheng Kuang, James ("Mr Lee")	162,000,000	–	–	–	162,000,000	8,000,000
Mr Oey Tjie Ho ("Mr Oey")	162,000,000	–	–	–	162,000,000	2,000,000
Mr Tang Chak Lam, Charlie	–	–	–	–	–	2,000,000

#### Note:

These shares are held by Respected International Limited (“RIL”), which is ultimately owned as to 37.50%, 45.83% and 16.67%, by Mr Rusli, Mr Lee and Mr Oey respectively through their respective wholly-owned companies.

In addition, Mr Rusli, Mr Lee and Mr Oey are deemed to be interested in the share capital of all of the subsidiary and associated corporations of the Company by virtue of their interests in the Company.

The above share options are granted to directors under the Scheme as defined with details set out in the section headed “Share options” above. None of the share options has been exercised.

Save as disclosed above, as at 31st December, 2001, none of the directors or chief executive of the Company were beneficially interested in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be recorded in the register of directors’ interests kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Under the terms of the Scheme, the directors of the Company are authorised to grant options to full-time employees (including executive directors) of the Company or its subsidiaries to subscribe for shares in the Company at prices to be determined in accordance with the terms of the Scheme.

Save as disclosed above, at no time during the year, the directors or chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for equity or debt securities of the Company or its associated corporations (within the meaning of the SDI Ordinance).

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN EQUITY SECURITIES

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, shows that as at 31st December, 2001, the Company had been notified of the following shareholders' interests, being 10% or more of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares	Percentage of issued share capital
RIL (Note 1)	162,000,000	45.00
Greatwood Investment Trading Limited (Note 2)	98,000,000	27.22
Mr Susanto (Note 2)	98,000,000	27.22

### Notes:

- RIL is ultimately owned by Mr Rusli and Mr Lee as to 37.50% and 45.83% respectively. Accordingly, the effective voting power of Mr Rusli and Mr Lee in the Company are deemed to be 16.88% and 20.62% respectively. These interests are the same interests of Mr Rusli and Mr Lee as disclosed in the section headed "Directors' interests in equity or debt securities".
- These shares are held by Greatwood Investment Trading Limited, which is wholly-owned by Mr Susanto.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.



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### MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

#### Purchases

– the largest supplier	18%
– five largest suppliers combined	36%

#### Sales

– the largest customer	51%
– five largest customers combined	87%

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above at any time during the year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda.

### AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises independent non-executive directors, namely Ms Ho Main Wai, Amy, Mr Lam Chi Kuen, Frank and Mr Yu Hon To, David during the year. Ms Ho Main Wai, Amy and Mr Yu Hon To, David resigned on 20th February, 2002 and were replaced by Mr Lau Siu Ki, Kevin on the same date.

### COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period except that the independent non-executive directors are not appointed for a specific term. The independent non-executive directors are subject to retirement by rotation in accordance with the provisions of the Company's Bye-laws. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

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## AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Lee Sheng Kuang, James**

*Managing Director*

Hong Kong, 25th March, 2002