

# Directors' Report

The directors of the Company (the "Director(s)") present their annual report and the audited financial statements for the year ended 31 December 2001.

## Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries, associate, and jointly controlled entity are set out in notes 39, 40 and 41 to the financial statements, respectively.

## Results and Appropriations

The results and appropriations of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 15.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2001.

## Share Capital and Warrants

Details of movements in the share capital and warrants of the Company during the year are set out in note 26 to the financial statements.

## Reserves

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

## Investment Properties and Property, Plant and Equipment

The Group's investment properties, and land and buildings were revalued at 31 December 2001 and the resulting revaluation decrease of HK\$2,200,000 and HK\$713,000, respectively, have been charged to the consolidated income statement.

Details of these and other movements in the investment properties, and property, plant and equipment of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

## Directors and Service Contracts

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

### *Executive Directors:*

Mr. Law Wing Kit, Stephen  
Dato' Wong Peng Chong (appointed on 15 March 2002)

### *Non-executive Directors:*

Mr. Chang Wang (change of office held from Executive Director to Non-executive Director on 15 March 2002)  
Mr. Lo Wai On (appointed on 15 March 2002)  
Mr. Chen Chi Lin, Peter (change of office held from Executive Director to Non-executive Director on 18 September 2001 and resigned on 17 December 2001)

### *Independent Non-executive Directors:*

Mr. Cheng Mo Chi, Moses  
Mr. Tan Shao Hua

In accordance with clauses 99, 102 and 182 of the Company's bye-laws, Dato' Wong Peng Chong, Mr. Lo Wai On and Mr. Cheng Mo Chi, Moses will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## Directors' Interests in Contracts

Other than as disclosed in the "Transactions with the Substantial Shareholder" section of this report and note 38 to the financial statements, no contract of significance to which the Company or any of its subsidiaries was a party

and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Directors' and Chief Executives' Interests in Shares and Warrants

As at 31 December 2001, none of the Directors and chief executives of the Company or any of their associates had any interests in any securities of the Company or any of its subsidiaries or associated corporations as defined in the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### Share Option

Pursuant to the Company's share option scheme adopted on 10 July 1991 (the "Share Option Scheme"), the Board of Directors may, at its discretion, grant options to eligible employees, including directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price which is 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of granting the options or the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

The options previously granted were exercisable during the one-year period commencing one year after the date on which the options were accepted. An amendment was passed at a special general meeting of the Company on 2 April 1997 to alter the definition of the option period as up to a maximum of ten years, as may be decided by the Board of Directors, after the date of acceptance of the options.

Pursuant to an ordinary resolution passed on 29 July 1999, the issued and unissued shares of the Company were subdivided from the one share of HK\$0.10 each into the ten shares of HK\$0.01 each with effect from 30 July 1999. The share options were subdivided in the same manner accordingly.

No share options were granted or exercised during the year. The Share Option Scheme has expired on 9 July 2001.

### Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company.

### Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance recorded the following parties as having an interest representing 10% or more in the issued share capital of the Company as at 31 December 2001:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage held</b>
China Sci-Tech Holdings Limited ("CST")	3,172,830,000	34.17%
Vigor Online Offshore Limited ("Vigor")	3,000,000,000	32.31%

Note: Harbour Fair Overseas Limited ("Harbour Fair") held 172,830,000 shares in the Company. Both Harbour Fair and Vigor are wholly-owned subsidiaries of CST. Accordingly, CST is deemed by the SDI Ordinance to be interested in the aforementioned shares.

Save as disclosed above, no person has registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### Major Customers and Suppliers

Aggregate sales attributable to the Group's five largest trade customers were less than 30% of total sales and the aggregate purchases attributable to the Group's five largest trade suppliers were less than 30% of total purchases.

### Connected Transactions

The Directors announced on 3 December 2001 that the directors of Fulltime Profits Limited ("Fulltime"), a non wholly-owned subsidiary of the Company, have resolved on 26 November 2001, upon completion of the subscription of the new shares to be issued pursuant to the rights issue (the "Rights Share(s)") by Superior Team Limited ("Superior Team"), a wholly-owned subsidiary of the Company, (the "Subscription"), to issue and allot to Superior Team, a total of 600 Rights Shares of US\$1.00 each, which included 270 Rights Shares being the taking up of the rights entitlement in the said rights issue assigned from the other shareholder of Fulltime by Superior Team, in the share capital of Fulltime for the consideration in cash of HK\$30,000,000 pursuant to the rights issue of Fulltime. The Directors, including the Independent Non-executive Directors, considered that the issue price of the Rights Shares is fair and reasonable.

The Rights Shares rank pari passu in all respects with the existing issued shares of Fulltime. The Rights Shares were issued at a price of HK\$50,000 per Rights Share and represented approximately 600% of the issued share capital of Fulltime before the Subscription and approximately 85.71% of the enlarged issued share capital of Fulltime. After the Subscription, the Group's shareholding in Fulltime has been increased from 55% to approximately 93.57% of the enlarged issued share capital.

### Transactions with the Substantial Shareholder

During the year, the Group paid a reimbursement of expenses of HK\$6,000,000 to CST. The reimbursement includes (i) salaries of two Directors, both of them are also the directors of CST, (ii) other staff costs, and (iii) daily operating expenses.

### Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding warrants as set out in note 26 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2001.

### Purchase, Sale or Redemption of Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities 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, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### Corporate Governance

#### The Board of Directors

The full Board met 4 times in 2001. Directors' attendance was as follows:

<i>Name of Directors</i>	<i>Number of Board Meetings Attended</i>
Mr. Law Wing Kit, Stephen	4
Mr. Chang Wang	4
Mr. Chen Chi Lin, Peter (resigned on 17 December 2001)	3
Mr. Cheng Mo Chi, Moses	4
Mr. Tan Shao Hua	4

**Executive committee**

The Company established an executive committee since 23 May 1998 pursuant to clauses 124 to 127 of the Company's bye-laws for the purposes of approving and monitoring the daily operation of the Group. 27 meetings of the executive committee were held in 2001.

**Investment committee**

The Company established an investment committee on 2 February 2000 for the purposes of approving and monitoring the Group's investment portfolio and projects. The investment committee met 15 times during the year.

**Audit committee**

The Company established an audit committee on 29 January 1999 with reference to "A Guide For The Formation Of An Audit Committee" issued by the Hong Kong Society of Accountants and in accordance with paragraph 14 of the Code of Best Practice. As at the date of this report, the majority of the audit committee members comprises of a Non-executive Director and Independent Non-executive Directors. The audit committee met 4 times during the year.

**Code of best practice**

The Company had complied throughout the year ended 31 December 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the Non-executive Directors and the Independent Non-executive Directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

**Auditors**

Except for the fiscal period from 1 January 1999 to 31 December 1999, in which Messrs. Ernst & Young acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board  
**Law Wing Kit, Stephen**  
*Chairman*

Hong Kong, 9 April 2002