



The directors submit their report together with the audited accounts for the year ended 31st December 2001.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company and its subsidiaries (the "Group") are investment holding. During the year, the Group is engaged principally in the investments in listed and unlisted companies.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated profit and loss account on page 14.

The directors recommend the payment of a final dividend of HKD0.01 per ordinary share, totalling HKD1,000,000.

### **BONUS SHARE ISSUE**

The directors also recommend a bonus issue of ordinary shares of one bonus ordinary share for each ordinary share held by the holders of ordinary shares, details of which are set out in the circular of the Company to be despatched to the holders of ordinary shares.

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 15 to the accounts.

### **FIXED ASSETS**

Details of the movements in fixed assets of the Group and the Company are set out in note 10 to the accounts.

### **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.



## DIRECTORS

Mr NGAN Man Kit

Mr HO Wai Ip

Mr WU Ting Yat, Timmy

Mr LO Chun Wing, Albert

Mr SUN Sai Man, Patrick<sup>#</sup>

Mr NG Wai Hung<sup>#</sup>

Mr ZENG Wei<sup>#</sup>

Mr FOK Kwong Hang, Terry<sup>#</sup>

Mr WONG Lit Chor, Alexis (appointed on 2nd January 2002)

Ms CHIU Kam Hing, Kathy (resigned on 1st July 2001)

<sup>#</sup> Independent non-executive directors

In accordance with Article 157 of the Company's Articles of Association, Mr NG Wai Hung, Mr SUN Sai Man, Patrick and Mr LO Chun Wing, Albert will retire by rotation at the forthcoming annual general meeting and are eligible for re-election. Mr NG and Mr SUN offer themselves for re-election while Mr LO will retire at the forthcoming annual general meeting.

In accordance with Article 123 of the Company's Articles of Association, Mr WONG Lit Chor, Alexis will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

## DIRECTORS' SERVICE CONTRACTS

Mr NGAN Man Kit has a service contract with the Company for a period of 3 years starting from 27th October 1999. The service contract is not determinable within one year without payment of compensation.

Apart from the aforesaid, 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 within one year without payment of compensation, other than statutory compensation.



### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Pursuant to the Investment Management Agreement dated 6th October 1999 between the Company and Alpha Asset Investments Limited (the "Investment Manager"), the Investment Manager has agreed to provide the Group with investment management services and general administrative services after the registration of it as an investment adviser under the Securities Ordinance. The Investment Manager has been registered as an investment adviser under the Securities Ordinance on 17th April 2000. Under this arrangement, the Investment Manager is entitled to a monthly management fee payable in advance at 2.5% per annum of the net asset value of the Group at the end of preceding month on the basis of actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of the surplus (the "Bonus") in net asset value of the Group over a financial year or period. The aggregate of management fee and the Bonus paid/payable to the Investment Manager for the year amounted to HKD3,446,469.

Mr NGAN Man Kit, an executive director of the Company, has 60% equity interests in the Investment Manager. Accordingly, this arrangement constitutes a connected transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and also a related party transaction under the accounting standards issued by the Hong Kong Society of Accountants, as disclosed in note 18 to the accounts.

In accordance with the requirements of the waiver granted by The Stock Exchange of Hong Kong Limited, the directors of the Company confirm that:

- (a) the above transaction has been entered into in the ordinary and usual course of the business of the Company and is conducted in accordance with the terms of the Investment Management Agreement;
- (b) the above transaction has been entered into on normal commercial terms and on arm's length basis; and
- (c) the above transaction has been entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

Furthermore, Uni-Alpha Securities Limited ("UASL") provides brokerage services to the Company and the brokerage fee paid/payable to UASL for the year amounted to HKD30,721. Mr NGAN Man Kit has 100% equity interests in UASL.

Apart from the above, no other contracts of significance in relation to the Company's business to which the Company or 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.



## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

### (i) Shares

At 31st December 2001, the interests of the directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained by the Company under the SDI Ordinance or as notified to the Company were as follows:

	Nature of interest	Number of ordinary shares as at 31st December 2001
Mr NGAN Man Kit	Personal	500,002
Mr FOK Kwong Hang, Terry	Personal	500,000

### (ii) Options

Under a share option scheme (the "Scheme") approved by the shareholders of the Company, the directors of the Company may, at their discretion, invite employees, including executive directors of the Company, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

Details of options granted to the executive directors of the Company pursuant to the Scheme are as follows:

Name of director	Options held at 1st January 2001	Options granted during the year	Options exercised during the year	Options held at 31st December 2001	Exercise price HKD	Grant date
Mr NGAN Man Kit	2,000,000	—	—	2,000,000	0.66	15th February 2000
Mr HO Wai Ip	2,000,000	—	—	2,000,000	0.66	15th February 2000
Mr WU Ting Yat, Timmy	2,000,000	—	—	2,000,000	0.66	15th February 2000

These share options are exercisable from 15th February 2000 to 14th February 2010. None of the above options have been exercised during the year.

Apart from the aforesaid, at no time during the year was the Company or 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.

The Company did not grant any other right to subscribe for shares in the Company to any directors or chief executives of the Company or to their spouses or children under 18 years of age during the year.



## SUBSTANTIAL SHAREHOLDERS

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 substantial shareholders' interests, being 10% or more of the Company's issued share capital:

<b>Name of shareholder</b>	<b>Number of ordinary shares</b>
Uni Forward Investments Limited	29,994,000
Deutsche Bank International Trust Co. (Jersey) Ltd	19,300,000

## MANAGEMENT CONTRACTS

Apart from the Investment Management Agreement dated 6th October 1999 between the Company and the Investment Manager, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

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

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules except that non-executive directors are not appointed for a specified term as recommended in Paragraph 7 of the Code of Best Practice. According to the Articles of Association of the Company, non-executive directors of the Company will retire by rotation and their appointment will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objective of the Code of Best Practice.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

## 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 audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises four independent non-executive directors, namely Messrs SUN Sai Man, Partick, NG Wai Hung, ZENG Wei and FOK Kwong Hang, Terry. Two meetings were held during the current financial year.



**AUDITORS**

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

On behalf of the Board

**NGAN Man Kit**

*Chairman*

Hong Kong, 19th April 2002