

## REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements for the year ended 31st December, 2001.

### PRINCIPAL ACTIVITIES

The principal activities of the Group are securities, futures, bullion and share trading, underwriting, fund management, share margin financing and property development.

### SUBSIDIARIES

Particulars of the subsidiaries of the Company are set out in note 16 on the financial statements.

### ASSOCIATES

Particulars of the associates of the Company and the Group are set out in note 17 on the financial statements.

### ACCOUNTS

The results of the Group for the year ended 31st December, 2001 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 17 to 65.

### DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31st December, 2001.

### MAJOR CUSTOMERS

The five largest customers of the Group accounted for less than 30% of the Group's turnover of the year.

None of the above five largest customers holds more than a 5% equity interest in the Company.

Save as disclosed above, 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 interest in the five largest customers.

### FIXED ASSETS

During the year, the Group acquired fixed assets of approximately HK\$1.4 million which comprised mainly computers and leasehold improvements.

Details of the movements of fixed assets during the year are set out in note 15 on the financial statements.

### BORROWINGS AND INTEREST CAPITALISED

Details of the Group's bank borrowings are set out in note 26 on the financial statements. No interest was capitalised by the Group during the year.

## PROVIDENT FUND

The Group has established a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

## DIRECTORS

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

### Executive directors

Mr. Evans Carrera Lowe	(Chairman and Chief Executive Officer)
Ms. Irene Wai Yin So	
Mr. Philip Tai Yip Poon	
Mr. Eric Carrera Lowe	
Mr. Nelson Hing Fung Chan	
Mr. David King Chuen Lung	
Mr. Danny Tak Tim Chan	(Resigned on 4th September, 2001)

### Non-executive director

Mr. Mart Bakal	(Appointed on 14th August, 2001)
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### Independent non-executive directors

Mr. Alan George Thompson	
Mr. Henry Hin Wing Lai	(Appointed on 8th June, 2001)

Messrs. Evans Carrera Lowe and Philip Tai Yip Poon, retire by rotation pursuant to article 103 of the Company's articles of association and, being eligible, offer themselves for re-election.

Messrs. Mart Bakal and Henry Hin Wing Lai, retire pursuant to article 94 of the Company's articles of association and being eligible, offer themselves for re-election.

Mr. Alan George Thompson, the independent non-executive director, was re-appointed for a two-year term expiring on 31st December, 2002 upon the expiration of his appointment on 31st December, 2000. Mr. Henry Hin Wing Lai was appointed as an independent non-executive director on 8th June, 2001 for a one-year term expiring on 7th June, 2002.

## SHARE CAPITAL

Movements of employee share options and share capital of the Company during the year are set out in note 30 on the financial statements.

## REPORT OF THE DIRECTORS

### RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 31 on the financial statements.

### DISTRIBUTABLE RESERVES

At 31st December, 2001, the Company did not have any reserves available for cash distribution. However, the Company's share premium account may be distributed in the form of fully-paid bonus shares.

### GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last five years are summarised on page 66 to 67.

### INTEREST IN CONTRACTS

No contracts of significance to which the Company or its subsidiaries were a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

As disclosed in note 2(a) on the financial statements, Mr. Evans Carrera Lowe, a major shareholder and director of the Company, is one of the parties to the Subscription Agreement which constitutes a connected transaction subsequent to the balance sheet date.

### DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY AND ITS SUBSIDIARIES

As at 31st December, 2001, the interests of the directors and chief executive of the Company in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register required to be kept under section 29(1) of the SDI Ordinance were as follows:

Name of director	Number of ordinary shares held		
	Personal interests	Corporate interests	Total
Mr. Evans Carrera Lowe	28,643,027	64,205,947*	92,848,974
Ms. Irene Wai Yin So	8,809,567	–	8,809,567
Mr. Philip Tai Yip Poon	3,608,163	–	3,608,163
Mr. Eric Carrera Lowe	156,218	–	156,218
Mr. Alan George Thompson	698,779	–	698,779

\* These shares are held through Global Source Company Limited, Supreme Grass Limited and Lowe Holdings Company Limited Inc., all of which are companies beneficially owned by Mr. Evans Carrera Lowe.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by Messrs. Evans Carrera Lowe, Philip Tai Yip Poon and Ms. Irene Wai Yin So in trust for the Company, the directors, chief executive or any of their associates did not have other interests in any shares of the Company or any of its associated corporations as defined under the SDI Ordinance as at 31st December, 2001.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2001, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that, other than the interest disclosed above in respect of Mr. Evans Carrera Lowe, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital.

### DIRECTORS' INTEREST IN COMPETING BUSINESSES

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company discloses that during the year and up to the date of this report, no directors held interests and/or directorships in companies engaged in similar business as the Group in Hong Kong and The People's Republic of China.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Details of the share options granted to directors which remained outstanding at 31st December, 2001 are as follows:

Name of director	Date of options granted	Number of shares issuable under Options	Subscription price per share (subject to adjustment)	Options exercise period
			HK\$	
Mr. Eric Carrera Lowe	18/06/1997	100,000	1.22	18/06/1998 to 17/06/2002
	13/01/1999	200,000	0.49	13/07/2001 to 12/07/2004
Mr. Philip Tai Yip Poon	13/01/1999	300,000	0.49	13/07/1999 to 12/07/2004
	13/01/1999	300,000	0.49	13/07/2001 to 12/07/2004
Mr. Evans Carrera Lowe	13/01/1999	1,700,000	0.49	13/07/1999 to 12/07/2004
	13/01/1999	1,700,000	0.49	13/07/2001 to 12/07/2004
Ms. Irene Wai Yin So	13/01/1999	1,000,000	0.49	13/07/1999 to 12/07/2004
	13/01/1999	1,000,000	0.49	13/07/2001 to 12/07/2004
Mr. Nelson Hing Fung Chan	01/03/2001	1,000,000	0.38	01/09/2001 to 31/08/2006
		<u>7,300,000</u>		

During the year, there are no share options exercised by the directors. The 300,000 share options held by Mr. Danny Tak Tim Chan lapsed during the year upon his resignation as a director of the Company.

## REPORT OF THE DIRECTORS

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES (continued)

The directors consider it inappropriate to value the options granted as the market price of the Company's shares as at 31st December, 2001 was below the subscription prices in respect of all the options granted. Any valuation based on assumption would not be meaningful.

Except for the above, at no time during the year was the Company or its subsidiaries a party to any arrangements in which the directors or chief executive or their spouses or children under 18 years of age were granted any right or options to subscribe for shares or debentures in the Company or its associated corporations.

### BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details in respect of the directors of the Company are set out on pages 5 to 6.

### MANAGEMENT CONTRACTS

None of the directors has a service contract with the Company or any of its subsidiaries which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### PURCHASE, SALE OR REDEMPTION OF SHARES

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

### CODE OF BEST PRACTICE

A non-executive director of the Company was not appointed for a specific term but is subject to retirement by rotation in a specific period in accordance with the Company's Articles of Association. Save as disclosed above, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the year covered by the annual report.

### DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

As at 31st December, 2001, the Group recorded an amount after provision of HK\$4,862,089, HK\$2,841,961 and HK\$5,105,534 due from Dynamic Assets Limited, Pharmatech Management Limited and Noblesse Ventures Inc., which constituted approximately 127.59%, 74.58% and 133.98% of the Group's consolidated net assets at 31st December, 2001. The amounts due result from share margin loans. The amounts due are partly secured and interest is charged at 1% over Hong Kong prime rate.

As disclosed in note 2(a) on the financial statements, Mr. Evans Carrera Lowe, a major shareholder of the Company, has made an equitable charge and a deposit of 92,848,974 ordinary shares beneficially owned by him subsequent to the balance sheet date.

## REPORT OF THE DIRECTORS

### AUDIT COMMITTEE

The Stock Exchange has revised its Code of Best Practice (Appendix 14 to the Listing Rules) to require every listed company to establish an Audit Committee with written terms of reference dealing clearly with its authority and duties. The Company has set up its Audit Committee on 18th September, 1998 with written terms of reference in accordance with the requirements of the Stock Exchange and such committee comprises of two independent non-executive directors of the Company, Mr. Alan George Thompson and Mr. Henry Hin Wing Lai and a non-executive director of the Company, Mr. Mart Bakal. The Audit Committee acts in an advisory capacity and makes recommendations to the board. The Audit Committee met in late-April, 2002 to review the Group's 2001 final results before they were tabled to the Board for approval.

### AUDITORS

Messrs. Li, Tang, Chen & Co. retire, and being eligible, offer themselves for re-appointment.

On behalf of the Board

**Evans Carrera Lowe**

*Chairman*

Hong Kong, 25th April, 2002