

The directors have pleasure in presenting their report and the audited financial statements of the Company and of the Group for the year ended 30 June 2002.

## 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, the provision of design and testing services for aluminium products and web-site operation and related e-business of trading of non-ferrous metals products on the Internet.

In July 2000, the Group diversified into the business of the design and development of 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 had been postponed. In view of the uncertainties involved and unfavourable changes in market conditions, the directors concluded that it was not in the interests of the Group to incur further expenditures on the development and commercialisation of this business, which accordingly was terminated in August 2001 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 5 to the financial statements. Other than the foregoing, there was no significant changes in the nature of the Group's principal activities during the year and up to the date of this report.

## SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 30 June 2002 is set out in note 6 to the financial statements.

## RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 30 June 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 28 to 84.

During the year, an interim dividend of HK1.0 cent per ordinary share was paid to the shareholders of the Company on 10 April 2002.

The directors recommend the payment of a final dividend of HK1.5 cents per ordinary share in respect of the year, to the shareholders whose names appearing on the Register of Members on 9 December 2002. This recommendation has been incorporated in the financial statements as an allocation of retained profits within capital and reserves section of the balance sheet. Further details of this accounting treatment are set out in note 13 to the financial statements.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 3 of the annual report.

## FIXED ASSETS

Details of the movements in the fixed assets of the Company and of the Group during the year are set out in note 15 to the financial statements.

## SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movements in the Company's share capital, share options and warrants during the year, together with reasons therefor, are set out in note 29 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 PREMIUM ACCOUNT AND RESERVES

Details of the movements in the share premium account and reserves of the Company and of the Group during the year are set out in notes 30 and 31 to the financial statements, respectively.

## DISTRIBUTABLE RESERVES

At 30 June 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$378,165,000, as computed in accordance with the provisions of The Companies Act 1981 of Bermuda. In addition, the Company's share premium account, in an amount of HK\$876,448,000, may be distributed in the form of fully-paid bonus shares.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's five largest customers accounted for less than 30% of the Group's total turnover.

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 of, none of the directors, or any of their respective associates, or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or 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. Chan Yiu Tsuan, Benby (*Managing Director*) (appointed on 22 December 2001)

Mr. Zhong Jianqiu

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

*Independent non-executive directors:*

Mr. Ma Tsz Chun

Mr. Gan Ming Hui

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Zhong Jianqiu 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, Mr. Chan Yiu Tsuan, Benby will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

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.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 14 to 16 of the annual report.

## DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors and five highest paid employees are set out in note 9 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 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 upon his resignation from office on 1 July 2001.

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' INTERESTS IN SECURITIES

As at 30 June 2002, the interests of the directors in the securities of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the issued share capital	Number of warrants held (note 2)
Mr. Kwong Wui Chun	Personal	193,593,488	8.16	17,839,348
	Corporate (note 1)	826,020,000	34.83	82,602,000
Mr. Hung Pann Yi	Personal	28,200,000	1.19	2,820,000
Mr. Zhong Jianqiu	Personal	1,668,000	0.07	166,800

The interests of the directors in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Notes: (1) 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.

(2) The warrants conferred rights to the holder to subscribe in cash for ordinary shares in the Company, at a subscription price of HK\$0.77 per share (subject to adjustments) during the period from 10 April 2002 to 9 April 2004 (both dates inclusive).

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries incorporated in Hong Kong held for the benefit of the Company solely for the purpose of complying with the minimum shareholders requirement under the Hong Kong Companies Ordinance.

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

## SHARE OPTION SCHEMES

Pursuant to the share option scheme adopted by the Company on 19 February 1998 (the "Previous Scheme"), the Company has granted certain options to directors and employees of the Group including the executive directors of the Company to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. In order to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on granting options under share option schemes which took effect from 1 September 2001, the Previous Scheme was terminated and a new share option scheme (the "Existing Scheme") was adopted pursuant to ordinary resolutions passed by the shareholders at the annual general meeting of the Company held on 7 December 2001. Accordingly, no further options can be granted under the Previous Scheme as from 7 December 2001. However, for the outstanding options granted under the Previous Scheme, the existing rights of the grantees are not affected.

Pursuant to the Previous Scheme, the subscription price is equal to the higher of the nominal value of the shares of the Company or 80% of the average of the closing prices per share of the Company quoted on the Stock Exchange on the five trading days immediately preceding the date of grant of the share option. The maximum number of shares in respect of which options may be granted under the Previous Scheme may not exceed 10% of the issued share capital of the Company from time to time.

Pursuant to the Existing Scheme, the Company may grant options to eligible participants to subscribe for shares in the Company subject to the terms and conditions stipulated therein. Summary of the Existing Scheme is as follows:

- |                                                                          |                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Purpose                                                              | – To enable the Company to grant options to Eligible Participants (as defined below) as incentives and rewards for their contribution to the Group.                                                                                                                                                                         |
| (b) Eligible Participants                                                | – Being employees or executives or officers of the Company or any of its subsidiaries (including their respective executive and non-executive directors) and suppliers, consultants and advisers who will or have provided services to the Group.                                                                           |
| (c) Total number of shares available for issue under the Existing Scheme | – the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Existing Scheme must not exceed 30% of the shares of the Company in issue.                                                                                                              |
| (d) Maximum entitlement of each Eligible Participant                     | – The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any twelve-month period up to and including the date of grant shall not exceed 1% of the number of shares of the Company in issue at the date of grant. |

## SHARE OPTION SCHEMES (continued)

- |     |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (e) | Period under which the shares must be taken up under an option             | – The period during which the options may be exercised will be determined by the board of directors of the Company at its absolute discretion, save that no option can be exercised more than 10 years after it has been granted.                                                                                                                                                                                                                 |
| (f) | Minimum period for which an option must be held before it can be exercised | – There is no minimum period for which an option must be held before it can be exercised.                                                                                                                                                                                                                                                                                                                                                         |
| (g) | Basis of determining the exercise price                                    | – It must be at least the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. |
| (h) | The remaining life of the Existing Scheme                                  | – The Existing Scheme remains in force until 6 December 2011 unless otherwise terminated in accordance with the terms stipulated therein.                                                                                                                                                                                                                                                                                                         |
| (i) | Period within which payments /calls/loans must be made/repaid              | – 30 days from the date of the offer of the options.                                                                                                                                                                                                                                                                                                                                                                                              |
| (j) | Amount payable on acceptance of the option                                 | – HK\$1.0                                                                                                                                                                                                                                                                                                                                                                                                                                         |

**SHARE OPTION SCHEMES (continued)**

Summary of the movement in the share options granted under the share option schemes of the Company and the share options attaching to the convertible bonds issued by the Company is as follows:

**(I) Share option schemes**

## The Previous Scheme

Type of grantees	Number of options				At end of year
	At beginning of year	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	
<b>Executive director</b>					
Mr. Zhong Jianqiu	17,200,000	–	–	–	17,200,000
<b>Other employees</b>	44,800,000	–	(15,200,000)(ii)	–	29,600,000
	62,000,000(i)	–	(15,200,000)	–	46,800,000

## The Existing Scheme

Type of grantees	Number of options				At end of year
	At beginning of year	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	
<b>Executive directors</b>					
Mr. Kwong Wui Chun	–	8,900,000(iii)	–	–	8,900,000
Mr. Hung Pann Yi	–	22,600,000	–	–	22,600,000
Mr. Zhong Jianqiu	–	5,400,000	–	–	5,400,000
<b>Non-Executive director</b>					
Mr. Gan Ming Hui	–	8,900,000	–	–	8,900,000
<b>Other employees</b>	–	174,400,000	(22,600,000)(v)	–	151,800,000
	–	220,200,000(iv)	(22,600,000)	–	197,600,000

*Notes:*

- (i) These share options were granted on 26 February 2001. The total number of share options granted originally was 31,000,000 and the share options are exercisable during the period from 26 February 2001 to 25 February 2004 at an exercise price of HK\$0.8624 per share. The number of share options and their exercise price were subsequently adjusted to 62,000,000 share options and HK\$0.4312 (subject to further adjustments) respectively in consequence of the one-for-one bonus issue of shares in the Company in May 2001.

## SHARE OPTION SCHEMES (continued)

*Notes: (continued)*

- (ii) The weighted average closing price of the shares of the Company immediately before the dates on which these share options were exercised during the year was HK\$0.6841.
- (iii) These share options were granted to Ms. Li Chuk Kuan, the spouse of Mr. Kwong Wui Chun.
- (iv) These share options were granted on 25 January 2002. The closing price of the Company's shares on 25 January 2002 was HK\$0.56 per share. The share options are exercisable during the period from 25 January 2002 to 24 January 2005 at an exercise price of HK\$0.56 per share (subject to adjustments).
- (v) The weighted average closing price of the shares of the Company immediately before the dates on which these share options were exercised during the year was HK\$0.7566.
- (vi) The above options granted are not recognised in the financial statements until they are exercised. Rule 17.08 of 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 as referred to in (i) to (iv) of Rule 17.07 of the Listing Rules during the financial year. In the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. No estimate value of such options has been charged to the profit and loss account as at the date of the grant.

### (II) Share options attaching to convertible bonds

On 2 September 2000, options to acquire an aggregate of 12,500,000 new ordinary shares of HK\$0.10 each in the Company were granted to the holders of the Company's convertible bonds. The options are exercisable during the period from 2 September 2000 up to and including 1 September 2003 at an exercise price of HK\$2.84 per share. The number of options and their exercise price were subsequently adjusted to 25,000,000 options and HK\$1.42 respectively in consequence of the one-for-one bonus issue of new shares in the Company in May 2001. None of these options were exercised during the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in securities" and "Share option schemes" above, at no time during the year was the 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.

## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 4 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.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed under the heading "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 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that as at 30 June 2002, 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 Listing Rules throughout the accounting year covered by this annual report, except that the independent non-executive directors of the Company are not appointed for specific period as required by paragraph 7 of the Code of Best Practice, 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 of the Group are set out in note 4 to the financial statements. In the opinion of the independent non-executive directors, these transactions were:

- (a) entered into by the Group in the ordinary and usual course of its business;
- (b) conducted on normal commercial terms and/or on terms that were fair and reasonable so far as the shareholders of the Company are concerned;
- (c) entered into in accordance with the agreements governing the transactions and/or on terms no less favourable than those available to/from independent third parties; and

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (continued)

- (d) 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.

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 established an audit committee, 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

18 October 2002