

The directors present their annual report and the audited financial statements for the period of nine months from 1st April, 2002 to 31st December, 2002.

## **CHANGE OF FINANCIAL YEAR END DATE**

During the period, the Company changed its financial year end date from 31st March to 31st December. The financial statements presented therefore cover the period of nine months from 1st April, 2002 to 31st December, 2002.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacture and marketing of mould bases and the trading of metal and parts.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the period are set out in the consolidated income statement on page 25.

An interim dividend of HK5 cents per share amounting to approximately HK\$24,342,000 was paid to shareholders during the period. The directors now recommend the payment of a final dividend of HK5 cents per share payable to shareholders registered on 5th May, 2003, amounting to approximately HK\$24,342,000 and the retention of the remaining profits for the period of approximately HK\$562,909,000.

## **FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group for the past five financial periods is set out on page 74.

## **INVESTMENT PROPERTIES**

The Group's investment properties at 31st December, 2002 were revalued by an independent firm of professional property valuers on an open market value basis. Details of movements in the investment properties of the Group during the period are set out in note 14 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the period, the Group constructed factory premises and staff quarters at a cost of approximately HK\$24 million. The Group continued its plant expansion policy and expended approximately HK\$38 million on new plant and machinery and approximately HK\$7 million on furniture, fixtures and fittings during the period. Details of these and other movements during the period in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2002 are set out on pages 75 to 77 of the annual report.

## SHARE CAPITAL

Details of the Company's share capital are set out in note 28 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

Since the Group has a very wide customer base, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover for the period.

The Group's largest supplier contributed 20% to the total purchases for the period. The Group's five largest suppliers accounted for 46% of the total purchases for the period.

At no time during the period did a director, an associate of a director or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

## COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the period of nine months from 1st April, 2002 to 31st December, 2002 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## DIRECTORS

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

### Executive directors

Siu Tit Lung (*Chairman*)  
Siu Yuk Lung (*Managing Director*)  
Mak Koon Chi  
Wai Lung Shing  
Fung Wai Hing

## **DIRECTORS (Cont'd)**

### **Non-executive director**

Chan Chun Sing, Colin

### **Independent non-executive directors**

Liu Wing Ting, Stephen, JP

Lee Tat Yee

In accordance with Clauses 87(1) and 169(2) of the Company's Bye-Laws, Mr. Chan Chun Sing, Colin and Mr. Liu Wing Ting, Stephen retire from office by rotation and, being eligible, offer themselves for re-election.

The term of office for each non-executive director and independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting 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).

## **BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

### **Executive directors**

Mr. Siu Tit Lung, aged 52, elder brother of Mr. Siu Yuk Lung, has been the chairman of the Company since December 1992 and is a co-founder of the Group. Mr. Siu is responsible for the overall strategic planning and corporate development of the Group. He has over 33 years of experience in metal trading and mould base manufacturing. He was awarded the Young Industrialist Award of Hong Kong in 1993. He is also an honorary citizen of Dongguan City and Heyuan City in the PRC.

Mr. Siu Yuk Lung, aged 49, younger brother of Mr. Siu Tit Lung, has been the managing director of the Company since December 1992 and is a co-founder of the Group. Mr. Siu is responsible for policy making and the corporate management of the Group. He has over 31 years of experience in metal trading and mould base manufacturing. He has, since 1995, been serving as a member of the Executive Committee of the Hong Kong Mould Association. He is also an honorary citizen of Heyuan City in the PRC.

**BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)****Executive directors (Cont'd)**

Mr. Mak Koon Chi, aged 44, has been an executive director of the Company since December 1992 and is a senior member and past Chairman of the Society of Manufacturing Engineers (Hong Kong Chapter). Mr. Mak is responsible for policy making, marketing and manufacturing of the Group and has many years of experience in mould base manufacturing. Mr. Mak graduated from Murdoch University with a Master of Business Administration Degree.

Mr. Wai Lung Shing, aged 41, has been an executive director of the Company since December 1992 and is responsible for the policy making, finance and administration functions of the Group. Mr. Wai graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons.) Degree in Accountancy and from the University of Warwick with a Master of Business Administration Degree. He is a fellow of both the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. He has extensive experience in accounting, finance and management with both international accounting firms and commercial organisations.

Mr. Fung Wai Hing, aged 50, has been an executive director of the Company since August 1997 and is responsible for policy making and trading business of the Group. Mr. Fung graduated from the University of Birmingham with a Master of Science Degree in Industrial Management and from the University of Hong Kong with a Master of Business Administration Degree. He is currently one of the directors and past president of the Institute of Industrial Engineers (Hong Kong Chapter). He is also a senior member of the Society of Manufacturing Engineers (Hong Kong Chapter). He has extensive experience in the trading business.

**Non-executive director**

Mr. Chan Chun Sing, Colin, aged 48, has been appointed to the Board of the Company since December 1992. He is a non-executive director of the Company. Mr. Chan graduated from the University of Toronto with a Bachelor of Science (Hons.) Degree in Engineering and from the Chinese University of Hong Kong with a Master of Business Administration Degree. He has many years of experience in the information technology industry.

**Independent non-executive directors**

Mr. Liu Wing Ting, Stephen, Justice of Peace, aged 50, has been an independent non-executive director of the Company since December 1992. Mr. Liu has been practising as a certified public accountant for many years and is a founder director of Hong Kong Aids Foundation Limited and a member of the Prince of Wales Hospital Governing Committee of the Hospital Authority. He is a fellow of both the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. He has wide experience in auditing, taxation and financial management in various fields and industries. He is the Chairman of the Audit Committee.

**BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)****Independent non-executive directors (Cont'd)**

Dr. Lee Tat Yee, aged 55, has been an independent non-executive director of the Company since December 1992. Dr. Lee obtained his doctorate degree from the University of Queensland and is a Chartered Engineer of the Engineering Council in the United Kingdom. Dr. Lee is currently a director of the Technology Support Centre of the University of Hong Kong specialising in quality assurance management systems.

**DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS**

At 31st December, 2002, the interests of the directors and their associates in the share capital 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 pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and in the share options of the Company were as follows:

Name of director	Number of ordinary shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Siu Tit Lung (Notes 1, 2 and 4)	58,933,155	—	—	246,093,750
Siu Yuk Lung (Notes 1, 3 and 4)	58,933,155	—	—	246,093,750
Mak Koon Chi	3,375,000	—	—	—
Wai Lung Shing	3,375,000	—	—	—
Fung Wai Hing	1,265,625	—	—	—

*Notes:*

- (1) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 56,105,030 shares in the Company and each owned a further 2,828,125 shares in the Company registered in their own name.
- (2) Rickdee Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Tit Lung other than Mr. Siu Tit Lung himself are beneficiaries, held 46,875,000 shares in the Company.
- (3) Robin Hill Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Yuk Lung other than Mr. Siu Yuk Lung himself are beneficiaries, held 46,875,000 shares in the Company.
- (4) Pan Island Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Messrs. Siu Tit Lung and Siu Yuk Lung other than Messrs. Siu Tit Lung and Siu Yuk Lung themselves are beneficiaries, held 199,218,750 shares in the Company.

**DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Cont'd)**

In addition, Mr. Siu Tit Lung and Mr. Siu Yuk Lung hold non-voting deferred shares in certain of the Company's subsidiaries as set out in note 38 to the financial statements.

Directors' interests in the share options granted by the Company are set out in the section "Share Options" in the Directors' report.

Save as disclosed above, and other than certain nominee shares in subsidiaries held in trust for the Group, at 31st December, 2002, (i) none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance; and (ii) none of the directors or their spouses or children under 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

**SHARE OPTIONS**

Particulars of the Company's share option scheme and other details are set out in note 30 to the financial statements.

The following table discloses movements in the Company's share options during the period:

	Number of share options			Date of grant	Exercisable period	Exercise price per share HK\$
	At 1st April, 2002	Granted during the period	At 31st December, 2002			
<b>Category 1: Directors</b>						
Siu Tit Lung	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Siu Yuk Lung	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Mak Koon Chi	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Wai Lung Shing	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Fung Wai Hing	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
<b>Total</b>	—	<b>2,500,000</b>	<b>2,500,000</b>			
<b>Category 2: Employees</b>						
	—	2,500,000	2,500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
<b>Total all categories</b>	—	<b>5,000,000</b>	<b>5,000,000</b>			

**SHARE OPTIONS (Cont'd)**

The fair value of the options granted in the current period measured as at the date of grant on 8th November, 2002 were HK\$0.33 per option. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Share price at 8th November, 2002	HK\$1.22
Expected life of options	3 years
Expected volatility based on historical volatility of share prices	49.3%
Expected annual dividend yield	3.84%
Hong Kong Exchange Fund Notes rate	2.7%

The Black-Scholes option pricing model requires the input of highly subjective assumption, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES OF SIGNIFICANCE**

Other than the share option schemes disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

**DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

There were no contracts of significance 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, subsisting at the end of the period or at any time during the period.

**CONNECTED TRANSACTIONS**

(1) During the period, the Group had the following transactions with non-wholly owned subsidiaries:

	HK\$'000
Sales	42,159
Purchases	8,534
Rental income	714
Rental expenses	569
Cost sharing	3,997
Management fee income	798

(2) At 31st December, 2002, joint and several guarantees were given by the Group, together with the relevant minority shareholders, to two non-wholly owned subsidiaries as follows:

- Sky Lucky Steel Limited to the extent of HK\$1,000,000; and
- Sky Lucky Metal Limited to the extent of HK\$2,000,000.

(3) At 31st December, 2002, a banking facility of the Group amounting to NT\$100,000,000 equivalent to HK\$22,450,000 was guaranteed jointly and severally by a minority shareholder of Taiwan Supertech Industrial Company Limited ("Supertech") and the Company without charge. The minority shareholder of Supertech is also a director of Supertech.

In the opinion of the independent non-executive directors, the above transactions were entered into by the Group in its ordinary and usual course of business and in accordance with the terms of the agreements governing such transactions.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

**SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest in 10% or more in the issued share capital of the Company as at 31st December, 2002.



### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

At no time during the period, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **POST BALANCE SHEET EVENT**

Details of significant event occurring after the balance sheet date are set out in note 37 to the financial statements.

### **AUDITORS**

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

On behalf of the Board

**Siu Yuk Lung**

*Director*

Hong Kong, 28th March, 2003