

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2002.

Principal Activities

The Company is principally engaged in investment holding. The subsidiaries of the Company are primarily engaged in manufacturing & sales of tinplates and related products, development and leasing of various industrial properties, feed production, distribution of live and fresh foodstuffs, foodstuffs trading and livestock farming. The Group's principal activities are mainly carried out in Hong Kong and in Guangdong Province of the PRC.

The analysis of the Group's turnover by principal activities, the Group's operating result by business segments and by geographical segments during the financial year are respectively set out in notes 2 and 14 on the financial statements.

Results and Dividends

The Group's consolidated results for the year ended 31 December 2002 are set out in the consolidated profit and loss account on page 31.

The Directors resolved not to make the payment of an interim dividend (2001: HK\$Nil) and do not recommend the payment of a final dividend (2001: HK\$Nil) for the year.

Fixed Assets

Details of movements in the fixed assets of the Group and the Company during the year are set out in notes 15(a) and 15(b) on the financial statements respectively.

Principal Subsidiaries and Associates

Details of the Company's principal subsidiaries and associates as at 31 December 2002 are set out in notes 36 and 38 on the financial statements respectively.

Borrowings and Interest Capitalised

Details of borrowings of the Group are set out in note 24 on the financial statements. No interest was capitalised by the Group during the year.

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Share Capital

Details of the share capital of the Company are set out in note 28 on the financial statements.

Convertible Notes

Details of the convertible notes are set out in note 26 on the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in notes 29(a) and 29(b) on the financial statements respectively.

Retirement Benefits Scheme

Details of the Group's retirement benefits scheme are set out in note 34 on the financial statements.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 30.4% of the Group's total sales for the year and sales to the Group's largest customer accounted for 14.5% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 33.0% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 10.0% of the Group's total purchases for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers or suppliers.

Properties

Particulars of the major properties of the Group are set out on page 98.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five years ended 31 December 2002 is set out on pages 99 and 100.

Directors

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

Executive Directors

LIANG Jiang	(Appointed on 14 January 2002)
LI Xiangbin	(Appointed on 10 July 2002)
HUI Wai Man, Lawrence	(Appointed on 6 January 2003)
YE Xuquan	(Resigned on 14 January 2002)
LI Li	(Resigned on 31 July 2002)
CHEN Lizhong	(Resigned on 10 June 2002)
WOO Ching Yee	(Resigned on 6 January 2003)

Non-executive Directors

LUO Fanyu	
LIANG Jianqin	(Appointed on 31 July 2002)
HOU Zhuobing	(Resigned on 31 July 2002)
WU Wai Chung, Michael	(Resigned on 25 June 2002)

Independent Non-executive Directors

Gerard Joseph McMAHON
TAM Wai Chu, Maria
LI Kar Keung, Caspar

In accordance with Article 92 of the Company's Articles of Association, Mr. Li Xiangbin, Mr. Hui Wai Man, Lawrence and Miss Liang Jianqin shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, Miss Tam Wai Chu, Maria and Mr. Luo Fanyu shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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Directors' Interests in Shares and Rights to Subscribe for Shares

As at 31 December 2002, the following Directors had interests in shares and/or rights to subscribe for shares of the Company and its associated corporations that are required to be recorded in the register kept by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"):

(I) Share

(i) *The Company*

Name	Number of Ordinary Shares held
Liang Jiang	1,300,000
Woo Ching Yee (Resigned on 6 January 2003)	2,000,000

(ii) *Guangdong Investment Limited*

Name	Number of Ordinary Shares held
Liang Jiang	310,000

(iii) *Guangdong Brewery Holdings Limited*

Name	Number of Ordinary Shares held
Luo Fanyu	70,000

(iv) *Guangdong Tannery Limited*

Name	Number of Ordinary Shares held
Luo Fanyu	70,000

(II) Share Option

The interests of the Directors in the rights to subscribe for shares of the Company and associated corporation are separately disclosed in the section “Share Option Schemes of the Company and Associated Corporation” below.

Save as disclosed above, under the section “Share Option Schemes of the Company and Associated Corporation” below and other than certain nominee shares in subsidiaries of the Company held by the Directors in trust for the Company, as at 31 December 2002, none of the Directors and chief executive of the Company had or was deemed to have any interest in any securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which requires notification pursuant to section 28 of the SDI Ordinance (including interests which any such Director is deemed or taken to have under section 31 or part 1 of the schedule to the SDI Ordinance) or which is required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, and none of the Directors and chief executive of the Company, or their spouse or children under the age of 18, had any right to subscribe for any securities of the Company, or had exercised any such right.

Share Option Schemes of the Company and Associated Corporation

(i) The Company

On 21 November 1994, in order to align the interests of Directors and employees with those of the shareholders, the Company adopted a share option scheme (the “1994 Share Option Scheme”) pursuant to which the Directors are authorized, at their discretion, to invite Directors or employees of the Company and its subsidiaries to take up options to subscribe for shares of the Company. Offers of options under the 1994 Share Option Scheme may be accepted in writing within 21 days from the date of making such offer. Options granted under the 1994 Share Option Scheme is exercisable within a period commencing twelve months after the date of acceptance of options and expiring on the last day of a four year period from such acceptance date or 20 November 2004, whichever is earlier. The 1994 Share Option Scheme shall expire on 20 November 2004.

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On 24 August 2001, for the purpose of having a new share option scheme with terms compatible with modern practice and providing greater flexibility to the Directors, the Company adopted a new share option scheme (the “2001 Share Options Scheme”). Pursuant to the 2001 Share Option Scheme, the Directors are authorized, at their discretion, to invite full-time employees of the Company and its subsidiaries, including Executive Directors but excluding Non-executive Directors to take up options to subscribe for shares of the Company. A grant of options under the 2001 Share Option Scheme may be accepted in writing and upon payment of a consideration of HK\$10 in total by the grantee to the Company within 21 days from the date of grant. Options granted under the 2001 Share Option Scheme is exercisable within a period of 5 years commencing on the business day immediately following the expiry of 3 months after the date of grant and expiring at the close of business on the last business day of such 5 year period. The 2001 Share Option Scheme shall expire on 23 August 2011.

The total number of shares in respect of which options may be granted (together with options exercised and options then outstanding) when aggregated with any shares subject to the 1994 Share Option Scheme and the 2001 Share Option Scheme (collectively the “Schemes”) may not exceed 10% of the issued share capital of the Company at the time of grant of options (excluding any shares issued upon exercise of options granted under the Schemes). As at the date of this report, no options granted under the 1994 Share Option Scheme is outstanding and the number of shares issuable for options granted under the 2001 Share Option Scheme was 86,000,000 which represented approximately 0.96% of the Company’s shares in issue.

The maximum entitlement of each participant under the Schemes will not exceed 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Schemes.

The exercise price of the options under the Schemes is determinable by the Directors in their discretion, but may not be less than the higher of (i) the nominal value of the shares of the Company; and (ii) 80% of the average of the closing prices per share as stated in the Hong Kong Stock Exchange’s quotation sheets for the five trading days immediately preceding the date of grant of an option.

On 1 September 2001, the Hong Kong Stock Exchange amended the requirements for share option schemes under the Listing Rules. If the Company wishes to grant options under the 2001 Share Option Scheme, it will also comply with the requirements under the Listing Rules.

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During the year, no options have been granted by the Company. Details of the Company's share options exercised and lapsed during the year and outstanding share options as at the year end date are set out in note 27 on the financial statements.

During the year, the Directors of the Company did not have any interests in rights to subscribe for shares of the Company under the 1994 Share Option Scheme. Certain employees and other participants of the Company had the following interests in rights to subscribe for shares of the Company granted under the 1994 Share Option Scheme of the Company. Each option gives the holder the right to subscribe for one share of par value HK\$0.1 each of the Company.

Category or Name	Date of share options granted#	Number of share options		Exercisable period of share options	Total consideration paid for share options granted HK\$	Price per share to be paid on exercise of share options HK\$	During the year number of share options			Number of share options held on 31 December 2002 '000
		Held on 1 January 2002 '000	Granted during the year '000				Exercised '000	Lapsed '000	Cancelled '000	
		Employees and other participants	11/02/98				15,200	—	12/02/99 to 10/02/02	

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

At 31 December 2002, the Directors and certain employees of the Company had the following interests in rights to subscribe for shares of the Company granted under the 2001 Share Option Scheme. Each option gives the holder the right to subscribe for one share of par value HK\$0.1 each of the Company.

Category or Name	Date of share options granted #	Number of share options		Exercisable period of share options	Total consideration paid for share options granted HK\$	Price per share to be paid on exercise of share options HK\$	During the year number of share options			Number of share options held on 31 December 2002 '000	During the year share price (**)		
		Held on 1 January 2002 '000	Granted during the year '000				Exercised '000	Lapsed '000	Cancelled '000		At options grant date HK\$	At options exercise date HK\$	
		Directors											
Ye Xuquan (resigned on 14 January 2002)	24/08/01	55,000	—	26/11/01 to 25/11/06*	10	0.1495	55,000	—	—	—	—	—	0.235
Li Li (resigned on 31 July 2002)	24/08/01	45,000	—	26/11/01 to 25/11/06*	10	0.1495	—	—	—	45,000	—	—	—
Chen Lizhong (resigned on 10 June 2002)	24/08/01	35,000	—	26/11/01 to 25/11/06*	10	0.1495	—	—	—	35,000	—	—	—
Employees	24/08/01	152,000	—	26/11/01 to 25/11/06*	10	0.1495	—	56,000	—	96,000	—	—	—

The vesting period of the share options is from the date of grant until the commencement of the exercise period or the grantee's completion of half year's full time service with the Company or its subsidiaries, whichever is the later.

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* If 25 November 2006 is not a business day in Hong Kong, the exercisable period shall end at the close of business on the last business day preceding that day.

** The share price disclosed as at the date of exercise of share options is the Hong Kong Stock Exchange closing price of the shares of the Company on the trading day immediately prior to the date of exercise of the share options.

Note:

1. The underlying shares of the outstanding share options under the 2001 Share Option Scheme as at 31 December 2002 represent 1.96% of the issued share capital of the Company.

(ii) Guangdong Investment Limited

At 31 December 2002, a director of the Company had the following interests in rights to subscribe for ordinary shares of Guangdong Investment Limited (“GDI”) granted under the share option schemes of GDI. Each option gives the holder the right to subscribe for one ordinary share of par value HK\$0.5 each of GDI.

Category or Name	Date of share options granted#	Number of share options		Exercisable period of share options	Total consideration paid for share options granted HK\$	Price per share to be paid on exercise of share options HK\$	During the year number of share options			Number of share options held on 31 December 2002 '000
		Held on 1 January 2002 '000	Granted during the year '000				Exercised '000	Lapsed '000	Cancelled '000	
Director Liang Jianqin (appointed on 31 July 2002)	16/03/98	450	—	17/09/98 to 16/09/03*	—	3.024	—	—	—	450
	10/08/01	400	—	11/02/02 to 10/02/07*	—	0.5312	—	—	—	400

The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

* If the expiry day is not a business day in Hong Kong, the exercisable period shall end at the close of business on the last business day preceding that day.

Arrangements to Acquire Shares or Debentures

Except for the share options held by Directors as mentioned above in the sections “Directors’ Interests in Shares and Rights to Subscribe for Shares” and “Share Option Schemes of the Company and Associated Corporation”, at no time during the year was the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies 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.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party or were parties 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' Interests in Competing Businesses

During the year, Mr. Liang Jiang, Director of the Company, is also a director of GDH Limited ("GDH"). GDH and its subsidiaries (the "GDH Group") have a wide range of business interests which include, inter alia, manufacturing, trading, wholesaling and retailing, etc. The aforementioned business interests of the GDH Group cover the same or similar areas as some of those of the Group. However, the Directors of the Company do not believe that any of the businesses of the GDH Group compete either directly or indirectly in any material respect with those of the Group.

During the year, Mr. Luo Fanyu, Director of the Company, is also a director of GDH. GDH Group have a wide range of business interests which include, inter alia, manufacturing, trading, wholesaling and retailing, etc. The aforementioned business interests of the GDH Group cover the same or similar areas as some of those of the Group. However, the Directors of the Company do not believe that any of the businesses of the GDH Group compete either directly or indirectly in any material respect with those of the Group.

During the year, Mr. Ye Xuquan, Director of the Company and resigned on 14 January 2002, is also a director of Guangdong Yue Gang Investment Holdings Company Limited and certain of its subsidiaries, namely GDH, 深圳東深投資控股有限公司 and GDI. Guangdong Yue Gang Investment Holdings Company Limited and its subsidiaries (the "Yue Gang Group") have a wide range of business interests which include, inter alia, manufacturing, trading, wholesaling and retailing, etc. The aforementioned business interests of the Yue Gang Group cover the same or similar areas as some of those of the Group. However, the Directors of the Company do not believe that any of the businesses of the Yue Gang Group compete either directly or indirectly in any material respect with those of the Group.

During the year, Mr. Li Li, Director of the Company and resigned on 31 July 2002, is also a director and general manager of Macau Wholesale Market Nam Yue, Ltd. and Nam Yue Food Stuff & Aquatics Co. Ltd., the businesses of which are the operation and management of a wholesale market in Macau for certain live and fresh foodstuffs and the distribution of

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live and fresh foodstuffs in Macau respectively. Since the aforesaid businesses of the two companies are conducted in Macau, the Directors of the Company do not believe that the businesses of the two companies compete either directly or indirectly in any material respect with those of the Group.

Directors' Service Contracts

No director 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 employing company within one year without payment of compensation (other than statutory compensation).

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

Details of the transactions disclosed in accordance with the Listing Rules are set out on pages 93 to 97.

Substantial Shareholders

As at 31 December 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interest required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares beneficially held	Percentage holding
Guangdong Yue Gang Investment Holdings Company Limited ("Yue Gang")	5,359,164,680	59.56%
GDH Limited ("GDH")	5,359,164,680	59.56%

Note: The attributable interest which Yue Gang has in the Company represents 5,359,164,680 ordinary shares deemed to be held by GDH. GDH is a wholly-owned subsidiary of Yue Gang.

Save as disclosed herein, the Directors are not aware of any shareholders who had interests of 10% or more of the issued share capital of the Company as at 31 December 2002.

Contracts of Significance with Controlling Shareholders or Its Subsidiaries

In addition to the disclosures contained in note 26 on the financial statements, in items 1(a), 1(b) and 2 of the Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as set out on pages 93 to 97, the Company had the following contract of significance with a subsidiary of the controlling shareholder of the Company.

On 25 March 2002, Zhongyue Industry Material Limited, a wholly owned subsidiary of the Company, entered into a loan agreement with Richway Resources Limited (“Richway”), a wholly owned subsidiary of GDH which is the controlling shareholder of the Company, for the provision by Richway of a loan in the amount of HK\$46,500,000. The loan is unsecured, interest free and without fixed term of repayment.

Purchase, Sale or Redemption of Listed Securities

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

Compensation Committee

The Company has established a Compensation Committee with the principal duties of receiving advice and making recommendations to the Directors concerning the remuneration policies of senior officers, the share option or incentive schemes. The Committee comprises the Chairman, the General Manager and three Independent Non-executive Directors.

Throughout the year under review, four meetings were held by the Committee to explore into relevant issues.

Audit Committee

In accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the “Code of Best Practice”) the Company has established an Audit Committee with all the three Independent Non-executive Directors as members. The principal duties of the Committee include the review of the adequacy and effectiveness of the internal control and compliance procedures of the Group and the review of the principles, policies and practices adopted in the preparation of the Group’s accounts and the annual financial statements for compliance with all statutory requirements.

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Regular meetings have been held by the Committee and it met three times during the year under review.

Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice throughout the year except that the Non-executive Directors are not appointed for specific terms as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association.

Publication of Further Information on The Hong Kong Stock Exchange's Website

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Hong Kong Stock Exchange's website in due course.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting. There was no change in auditors of the Company in any of the preceding three years.

On behalf of the Board

Liang Jiang

Chairman

Hong Kong, 11 April 2003