

## DIRECTORS' REPORT

For the year ended 31 December 2002

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the holding of equity or equity-related investments and the provision of management services to these investee companies.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 12 to 48.

The directors do not recommend the payment of a dividend.

### DONATION

Donations for charitable or other purposes amounting to HK\$17,000 (2001: Nil) were made by the Group during the year.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are shown in note 12 to the financial statements.

### SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and the Group's principal jointly controlled entities and associates as at 31 December 2002 are set out in notes 13 to 15 to the financial statements respectively.

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements.

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### FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 49.

### DIRECTORS

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

#### Executive directors

Lam Sai Ho, Anthony

Leung Chi Keung (resigned on 10 March 2003)

Lo Wai Mei (resigned on 14 March 2003)

Lam Wo (appointed on 10 March 2003)

#### Independent non-executive directors

Yan Mou Keung, Ronald

Chan Fai Yue, Leo

In accordance with the Company's Bye-Laws, Mr. Lam Wo shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

### BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the directors of the Company are as follows :

#### Executive Directors

**Mr. Anthony Lam Sai Ho**, aged 37, as the Chairman of the Company. Mr. Lam graduated from the Sydney University in Australia, specialized in Economics and Psychology. In Australia, Mr. Lam had been extensively involved in the corporate finance and securities fields. Subsequent to his return to Hong Kong, he joined Golden Resources Development International Limited and has been appointed in several key management postings in Hong Kong and other Asian Countries such as Vietnam and Thailand.

**Mr. Lam Wo**, aged 43, as an executive director of the Company. Mr. Lam graduated from the Faculty of Business Administration in Hong Kong Shue Yan College. He has extensive experience in the fields of investment, finance and management.

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### Independent Non-Executive Directors

**Mr. Yan Mou Keung, Ronald**, aged 48, as an independent non-executive director of the Company. He serves as the Deputy Managing Director of San Dino Limited. He has more than 15 years of experience in running retail fashions. He is also the Hon Life President of Tsimshatsui Kai Fong Welfare Association, Vice President of HK Island/Northern District Scout Association, Hong Kong, President of Artiste Training Alumni Association, the President of Pragmatic Kwon-Do and the Chairman of Chung Hop Pai, Lau Kan Tung Chinese Martial Arts Association.

**Mr. Chan Fai Yue, Leo**, aged 61, as an independent non-executive director of the Company. Mr. Chan has over 20 years of invaluable experience in Hong Kong stock market and manufacturing. During his early years in Japan, he exposed in trading and finance fields. Mr. Chan is a director of a paint manufacturing company in Bangkok.

### DIRECTORS' SERVICE CONTRACT

None of the directors has a service contract with the Company which cannot be terminated by the Company within one year without payment of compensation.

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2002, none of the directors nor any of their associates had any interests in the issued share capital of the Company or any of its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under section 29 of the SDI Ordinance.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has adopted an employee share option scheme on 10 December 2001 under which the Board may grant to eligible employees, including the executive directors, the officers and the full or part-time employees of the Company or its subsidiaries, options to subscribe for shares of the Company. No option was granted, exercised, lapsed or cancelled during the year or remained outstanding as at 31 December 2002.

Save as disclosed above, at no time during the year 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 the Company or any other body corporate and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

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### DIRECTORS' INTERESTS IN CONTRACTS

Details of the directors' interests in contracts of significance in relation to the Group's business are set out in note 28(a) to the financial statements.

Save as disclosed above, no other contracts of significance in relation to the Group's business 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, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACTS

On 6 September 2001, GR Investment Holdings Limited ("GR Holdings") entered into an agreement ("the Agreement") with Sinox Fund Management Limited ("SINOX") to extend for one year (from 1 September 2001 to 31 August 2002) the investment management agreement made between GR Holdings and SINOX which expired on 31 August 2001, whereby GR Holdings agrees to engage SINOX and SINOX agrees to serve GR Holdings as the investment manager to provide GR Holdings with investment management services and administrative services. SINOX shall receive from GR Holdings a management fee of 1.5 per cent per annum of the net asset value of GR Holdings payable at the end of each quarter. The Agreement shall be automatically renewable for additional, consecutive term of one year each unless either party provides written notice of at least six months and shall be on substantially the same terms and conditions of the previous agreement which expired on 31 August 2001.

On 12 December 2001, GR Holdings became the wholly owned subsidiary of the Company and accordingly the Company then replaced GR Holdings and assumed one of the parties to the Agreement.

The directors, including the Company's independent non-executive directors, Mr. Yan Mou Keung, Ronald and Mr. Chan Fai Yue, Leo, considered that the Agreement is in the best interests of the Company and was entered into on normal commercial terms, in the ordinary course of business of the Company and that the rate of the management fee is fair and reasonable so far as the shareholders of the Company are concerned.

Mr. Lam Sai Ho, Anthony, the Chairman of the Company, has an indirect interest of approximately 66.67 per cent in SINOX, SINOX is regarded as a connected person of the Company and, accordingly, the investment management agreement constitutes a connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules").

Save as disclosed above, 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.

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### CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 29 to the financial statements. This connected transaction also constitutes a related party transaction.

### SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31 December 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive. Details of these interests are summarised as follows :

| Name of shareholder                                | Number of ordinary shares of HK\$0.01 each |                 |
|--|--|-----------------|
|  | Direct interest                            | Deemed interest |
| Ringo Resources Limited                            | 256,005,000                                | —               |
| Better Choice Investments Limited                  | —  | 256,005,000     |
| Reo Developments Limited                           | —  | 256,005,000     |
| Golden Resources Development International Limited | —  | 256,005,000     |

Ringo Resources Limited is a wholly-owned subsidiary of Better Choice Investments Limited which in turn is a wholly-owned subsidiary of Reo Developments Limited. Reo Developments Limited is a wholly-owned subsidiary of Golden Resources Development International Limited. Accordingly, Better Choice Investments Limited, Reo Developments Limited and Golden Resources Development International Limited are all deemed to be interested in 256,005,000 shares held by Ringo Resources Limited.

### PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the Company Act (1981) of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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### CODE OF BEST PRACTICE

Under the requirements of the Listing Rules, an audit committee was formed in 7 January 2002 to review and supervise the Company's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors namely Mr. Yan Mou Keung, Ronald and Mr. Chan Fai Yue, Leo so as to ensure that the Code of Best Practice as set out in Appendix 14 of the Listing Rules ("the Code of Best Practice") can be duly complied with. Meetings of the audit committee will be held at least twice annually.

In the opinion of the directors, the Company has complied with the Code of Best Practice throughout the year except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws.

### AUDITORS

PricewaterhouseCoopers acted as auditors of GR Holdings for the year ended 31 December 1999. On 28 August 2000, PricewaterhouseCoopers tendered their resignation as the auditors of GR Holdings and then Grant Thornton was appointed as auditors by the Board on the same date to fill the casual vacancy.

On 9 July 2001, Grant Thornton was appointed as the first auditors of the Company. On 1 November 2001, Grant Thornton tendered their resignation as the auditors of both the Company and GR Holdings. Subsequently, HLM & Co. was appointed as auditors of the Company by the Board on the same date to fill the casual vacancy.

HLM & Co. retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**LEE Yip Wah, Peter**

*Secretary*

Hong Kong, 10 April 2003