

Report of the Directors

The directors herein present their annual report and the audited financial statements of the Company and of the Group for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 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 31 to 81.

The directors do not recommend the payment of any dividends in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover	666,989	709,195	1,208,670	534,996	325,016
Operating profit/(loss)	(32,382)	(48,447)	39,055	33,175	28,214
Share of loss of associates	(3,518)	-	-	(65)	(2)
Profit/(loss) before tax	(35,900)	(48,447)	39,055	33,110	28,212
Tax	(2,098)	5,284	(3,189)	(3,048)	(4,143)
Profit/(loss) before minority interests	(37,998)	(43,163)	35,866	30,062	24,069
Minority interests	(555)	353	524	-	-
Net profit/(loss) attributable to shareholders	(38,553)	(42,810)	36,390	30,062	24,069

Report of the Directors

SUMMARY FINANCIAL INFORMATION *(continued)*

	31 December				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Total assets	656,843	594,036	698,558	484,833	224,826
Total liabilities	(424,321)	(390,390)	(468,388)	(286,717)	(76,376)
Minority interests	(1,233)	(402)	(392)	(619)	-
	231,289	203,244	229,778	197,497	148,450

FIXED ASSETS AND INVESTMENT PROPERTY

Details of the movements in the fixed assets and investment property of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2002, the Company's reserves available for cash distribution and/or distribution in specie calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$77,004,000. In addition, the Company's share premium account, in the amount of HK\$94,528,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 33% of the Group's total sales for the year and sales to the Group's largest customer included therein amounted to 9%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their 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 any of the Group's five largest customers.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Lin Chun Kuei	<i>(Chairman and chief executive officer)</i>
Mr. Kam Wing Leung	<i>(Co-vice chairman)</i>
Dr. Denk Gunter M.	<i>(Co-vice chairman)</i>
Mr. Guo Yah Taur (alias Peter Ya Tao Kuo)	
Mr. He Jing Guang	
Mr. Li Chien Kuan	
Mr. Lin Chun Fu	
Mr. Ng Kin Nam	<i>(appointed on 1 August 2002)</i>
Mr. Pope Graeme Stanley	

Non-executive director

Mr. Halim Andree

Independent non-executive directors

Hon. Chan Bernard Charnwut

Mr. Goh Gen Cheung

In accordance with bye-laws 111 and 115 of the Company's bye-laws, Messrs. Guo Yah Taur, Pope Graeme Stanley, Hon. Chan Bernard Charnwut and Mr. Ng Kin Nam will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive directors but excluding the chairman, the managing director and the vice chairman, 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.

DIRECTORS' SERVICE CONTRACTS

Messrs. Lin Chun Kuei, Lin Chun Fu, Kam Wing Leung and Li Chien Kuan, executive directors, entered into service agreements with the Company for a term of three years commencing from 1 December 1997, which are renewable automatically for successive terms of one year each, until terminated by not less than six months' notice in writing served by either party on the other.

Dr. Denk Gunter M., an executive director, has entered into a service agreement with the Company for a term of four years and five months commencing from 23 December 1999, renewable automatically for successive terms of one year, until terminated by not less than six months' notice in writing served by either party on the other.

Mr. He Jing Guang, an executive director, has entered into a service agreement with the Company for a term of one year commencing from 1 May 2000, renewable automatically for successive terms of one year, until terminated by not less than three months' notice in writing served by either party on the other.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS *(continued)*

Mr. Pope Graeme Stanley, an executive director, has entered into a service agreement with the Company, through a service company beneficially owned by him, for a term of one year commencing from 22 May 2000, renewable automatically for successive terms of one year, until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Guo Yah Taur (alias Peter Ya Tao Kuo), an executive director, has entered into a service agreement with the Company for a term of three years commencing from 30 March 2001, renewable automatically for successive terms of one year, until terminated by not less than six months' notice in writing served by either party on the other.

Mr. Ng Kin Nam, an executive director, has entered into a service agreement with the Company for a term of three years commencing from 1 August 2002, renewable automatically for successive terms of one year, until terminated by not less than six months' notice in writing served by either party on the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the service agreement entered between the Company and a service company beneficially owned by an executive director as mentioned in the section "Directors' service contracts" above, no director had a beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2002, the interests of the directors and their associates in the share capital of the Company or 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, were as follows:

Ordinary shares of the Company

Directors	Number of shares held and nature of interest		
	Personal	Family	Corporate
Mr. Halim Andree	-	-	102,300,000 <i>(Note 3)</i>
Mr. Lin Chun Kuei	35,873,200	-	-
Mr. Lin Chun Fu	33,690,800	-	-
Mr. Ng Kin Nam	23,157,200	7,601,000 <i>(Note 1)</i>	10,359,800 <i>(Note 4)</i>
Dr. Denk Gunter M.	16,760,000	4,364,800 <i>(Note 2)</i>	-
Mr. He Jing Guang	8,013,720	-	-

Report of the Directors

DIRECTORS' INTERESTS IN SHARES *(continued)*

Notes:

1. The 7,601,000 shares are owned by Ms. Angeleslao Jocelyn O., wife of Mr. Ng Kin Nam.
2. The 3,273,600 shares and 1,091,200 shares are held by Miss Denk Corinna and Ms. Denk Angelika, daughter under 18 years of age and wife of Dr. Denk Gunter M., respectively.
3. The 102,300,000 shares are owned by KMP Atlantic Limited, 90% of the issued capital of which is owned by KMP Equities Holding Ltd.. The issued share capital of KMP Equities Holding Ltd. is owned as to 50% by Mr. Halim Andree. Mr. Halim Andree was therefore deemed to be interested in the 102,300,000 shares of the company.
4. The 10,359,800 shares are owned by Jade Investment Limited. The issued share capital of Jade Investment Limited is owned as to 50% by Mr. Ng Kin Nam. Mr. Ng Kin Nam is therefore deemed to be interested in the 10,359,800 shares of the company.

In addition to the above, certain directors hold shares in certain subsidiaries, in a non-beneficial capacity, solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations at 31 December 2002, as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in shares" above and share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Due to the adoption during the year of Statement of Standard Accounting Practice No. 34 "Employee benefits", most of the detailed disclosures relating to the Company's share option scheme have been moved to note 29 to the financial statements.

No share options were granted or exercised during the year.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

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

Name	Number of shares in which interested	Percentage of the Company's issued share capital
KMP Atlantic Limited	102,300,000	16.66
KMP Equities Holding Ltd.	102,300,000	16.66
Mr. Salim Anthoni	102,300,000	16.66
Mr. Halim Andree	102,300,000	16.66

Note: KMP Atlantic Limited is owned as to 90% of its issued shares by KMP Equities Holding Ltd. The issued share capital of KMP Equities Holding Ltd. is owned as to 50% by each of Messrs. Salim Anthoni and Halim Andree. Accordingly, the interests disclosed by parties above are in respect of the same shareholding.

Save as disclosed above, the directors are not aware of any person (except those directors as disclosed under the paragraph "Directors' interests in shares" above) who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company as at 31 December 2002 that was required to be recorded under Section 16(1) of the SDI Ordinance.

CONNECTED PARTY TRANSACTIONS

In the current year, the Group provided a corporate guarantee of approximately HK\$14,428,000 on the banking facilities granted to Heissner AG, a 99.1% owned subsidiary of the Group. The total banking facilities granted by the bankers in this respect and the amount utilized as at 31 December 2002 were approximately HK\$67,958,000 and HK\$67,533,000, respectively.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the “Code”), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, throughout the year covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lin Chun Kuei

Chairman

Hong Kong, 23 April 2003