

# Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December, 2002.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 12 to the financial statements.

## RESULTS

The results of the Group for the year ended 31 December, 2002 are set out in the consolidated income statement on page 23.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

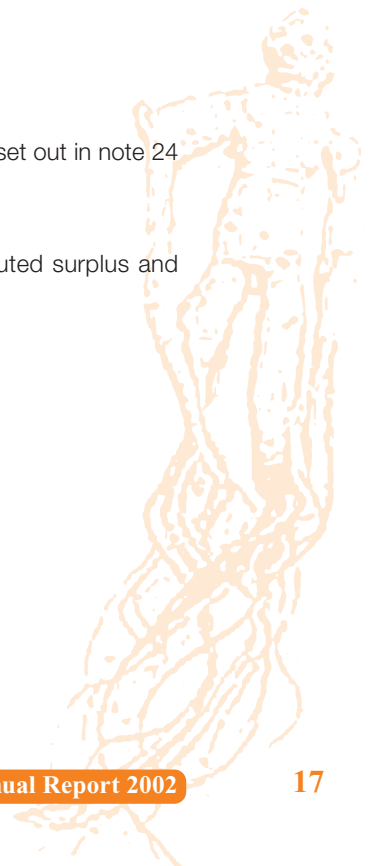
## SHARE CAPITAL

Details of the Company's share capital are set out in note 23 to the financial statements. There was no movement in the Company's share capital during the year.

## RESERVES

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

The Company's reserves available for distributions represent the share premium, contributed surplus and accumulated losses with an aggregate amount of approximately HK\$98,367,000.



# Directors' Report

## DIRECTORS

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

### Executive directors:

Mr. Wong Yin Sen (Chairman and president)

Mr. Hon Lik (Vice Chairman)

Mr. Wong Hei Lin (Vice president)

Mr. Yu Yanming

### Non-executive director:

Ms. Cheng Kong Yin

### Independent non-executive directors:

Mr. Pang Hong

Mr. Mo Kwan Nin

In accordance with Articles 87 and 88 of the Company's Articles of Association, Mr. Wong Yin Sen, being the chairman of the Company is not required to retire by rotation and Messrs. Yu Yanming and Pang Hong shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The non-executive directors have no set term of office but are subject to retirement by rotation, and being eligible, offer themselves for re-election, in accordance with the Company's Articles of Association.

## DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Wong Yin Sen, Hon Lik, Wong Hei Lin and Yu Yanming has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 January, 2001, and shall continue thereafter until terminated by either party giving to the other not less than six months' notice in writing, expiring not earlier than 31 December, 2003.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December, 2002, the interests of the directors and their associates in the share capital of the Company 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	Number of ordinary shares		
	Family interests	Corporate interests	Other interests
Mr. Wong Yin Sen	–	438,000,000 (Note 1)	–
Mr. Hon Lik	–	438,000,000 (Note 1)	–
Mr. Wong Hei Lin	–	–	438,000,000 (Note 1)
Ms. Cheng Kong Yin	438,000,000 (Note 2)	–	–

Notes:

- (1) Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin are beneficially interested in 46.25%, 42.50% and 11.25% of the entire issued share capital of the major shareholder, Absolute Target Limited, which holds 438,000,000 shares in the Company, representing 75% of the entire issued shares in the Company.
- (2) As Ms. Cheng Kong Yin is the spouse of Mr. Wong Yin Sen, she is deemed to be interested in these shares owned by her spouse.

Save as disclosed above, as at 31 December, 2002, none of the directors or any of their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## SHARE OPTION SCHEME

In accordance with the terms of a share option scheme (the "Scheme") adopted by the Company on 6 April, 2001 for the primary purpose of providing incentives of directors and eligible employees, the board of directors of the Company is authorised, at its absolute discretion, to grant options to eligible employees, including executive directors of the Company and its subsidiaries to subscribe for shares in the Company. The Scheme became effective upon the listing of the shares in the Company on The Stock Exchange of Hong Kong Limited on 9 May, 2001. Options granted may be exercised in accordance with the terms of the Scheme at any time during the three-year period commencing on the date on which the option is accepted and expiry on the last day of the three-year period or the tenth anniversary of the date the Scheme is adopted, whichever is the earlier.

As at the date of the report, no options have been granted to any executive directors or employees of the Company under the Scheme.

# Directors' Report

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year was the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company a party to any arrangements to enable the directors of the Company or their spouses or children under the age of 18 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, its ultimate holding company, or any subsidiaries of its ultimate holding company 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.

## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in the section "Directors' Interests in Share Capital", as at 31 December, 2002, the Company has not been notified of any other interests representing 10% or more of the Company's issued ordinary share capital that were required to be recorded under section 16(1) of the SDI Ordinance.

## **PRE-EMPTIVE RIGHTS**

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

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the largest customer of the Group by itself and together with the next four largest customers accounted for about 31% and 72%, respectively, of the Group's turnover.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for about 45% and 93%, respectively, of the Group's purchases.

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES**

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

# Directors' Report

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 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.

## AUDITORS

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

On behalf of the Board

**Wong Yin Sen**

CHAIRMAN

Hong Kong, 23 April, 2003

