

# Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2001.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 31, 32 and 33 to the financial statements, respectively.

## RESULTS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 14.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 10 to the financial statements.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 20 to the financial statements.

## RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in note 22 to the financial statements.

# Directors' Report (Continued)

## DIRECTORS

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

Mr. Chiu Tao — *Chairman*

Mr. Yeung Kwok Yu — *Vice chairman*

Mr. Kwan Kam Hung, Jimmy

Mr. Chiu Kong

Mr. Tsui Ching Hung

Mr. Chung Nai Ting

Mr. Tse Lanny Cheuk Ming

Mr. Tong Wui Tung\*

Mr. Chan Sze Hung\*

\* *Independent non-executive directors*

In accordance with Clause 87 of the Company's Bye-laws, Mr. Tsui Ching Hung and Mr. Chung Nai Ting retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out below:

### Executive Directors

**Mr. Yeung Kwok Yu**, aged 50, is one of the co-founders of the Group and the vice-chairman of the Company. Before joining the Group, Mr. Yeung worked for an import and export company based in the People's Republic of China ("PRC") as a senior manager. He has over 20 years of experience in general trading business in both PRC and Hong Kong. He is responsible for the Group's overall management and strategic investment plan. He is also the brother-in-law of Mr. Chiu Tao.

**Mr. Kwan Kam Hung, Jimmy**, aged 40, is one of the co-founders of the Group. Before joining the Group, Mr. Kwan worked in the bills and accounts department of a financial institute in Hong Kong. He has over 10 years of experience in the management of finance and accounting and is responsible for the Group's overall financial management and administration.

# Directors' Report (Continued)

## BIOGRAPHICAL DETAILS OF DIRECTORS (Continued)

### Executive Directors (Continued)

**Mr. Chiu Kong**, aged 44, was appointed as a director of the Company in July 1999. He has over 15 years of experience in import and export trading, and business development. Before joining the Group, Mr. Chiu had worked for various trading and engineering companies. He is responsible for the Group's business development. He is a brother of Mr. Chiu Tao.

**Mr. Tsui Ching Hung**, aged 48, was appointed as a director of the Company in November 1999. He holds a Master of Science degree in Polymer Science and a Master of Business Administration degree obtained from the University of Aston and University of Warwick, the United Kingdom respectively. Before joining the Group, he has over 10 years of experience in senior management positions of several multinational corporations in Hong Kong.

**Mr. Chung Nai Ting**, aged 46, was appointed as a director of the Company in December 1999. He has over 20 years of experience in the trading business.

**Mr. Tse Lanny Cheuk Ming**, aged 37, was appointed as a director of the Company in December 2000. He holds a bachelor degree in Commerce from the University of Calgary in Canada, and is a member of the Certified General Accountants' Association of Canada.

### Non-executive Director

**Mr. Chiu Tao**, aged 46, is a co-founder of the Group and the chairman of the Company. Mr. Chiu is currently a member of the Chinese People's Political Consultative Committee of Henan Province. He has over 20 years' experience in metal business in both PRC and Hong Kong.

### Independent Non-executive Directors

**Mr. Tong Wui Tung**, aged 51, was appointed as an independent non-executive director of the Company in December 1999. Mr. Tong is a partner of Messrs. Cheung, Tong & Rosa and has been practising as a solicitor in Hong Kong for over 20 years.

**Mr. Chan Sze Hung**, aged 49, was appointed as an independent non-executive director of the Company in December 1999. Mr. Chan is a solicitor practising in Hong Kong. He has over 20 years of experience in legal profession and is a consultant of Messrs. Chan, Lau & Wai, a firm of solicitors in Hong Kong.

# Directors' Report (Continued)

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2001, the interests of the directors in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("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 were as follows:

Name of director	Type of interest	Number of shares	Number of warrants
Chiu Tao	Corporate ( <i>Note</i> )	237,580,000	47,812,000
Kwan Kam Hung, Jimmy	Personal	9,450,000	Nil
Chiu Kong	Personal	4,000,000	Nil

*Note:* These shares are held by Super Star Assets Limited and Jumbo Jade Limited, which are wholly owned by Mr. Chiu Tao.

Save as disclosed above, none of the directors or their associates had, at the balance sheet date, any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or chief executives or their spouses or children under the age of 18 had any right to subscribe for shares of the Company, or had exercised any such right during the year, and at no time during the year was the Company or its holding companies 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 debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as set out in note 30 to the financial statements, no contract of significance, to which the Company, or 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.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed no person as having an interest of 10% or more in the share capital of the Company.

## SHARE OPTIONS, WARRANTS, CONVERTIBLE NOTE PAYABLE OR SIMILAR RIGHTS

### (a) Share options

Pursuant to the share option scheme (the "Scheme") of the Company adopted on 2 July 1998, the Company may grant options to directors and employees of the Company or its subsidiaries, for the purpose of providing incentive, to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time and the maximum number of shares, in which options may be granted to any one employee, of not more than 25% of the maximum number of shares in respect of options granted under the Scheme. The Scheme will expire on 1 July 2008. Options granted are exercisable at any time for a period of ten years from the date of grant. The subscription price of the option shares is the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the closing prices of the shares on the five trading days immediately preceding the date of grant of the options. Options granted must be taken up within 21 days of the date of grant and no consideration is payable on the grant of an option.

No share options have been granted by the Company since its adoption.

### (b) Warrants

Details of movements during the year in the warrants of the Company are set out in note 21 to the financial statements.

### (c) Convertible note payable

During the year, the Group issued a convertible note of HK\$60,000,000 and details of the convertible note payable are set out in note 19 to the financial statements.

Other than disclosed above, the Company had no outstanding convertible securities or other similar rights as at 31 December 2001.

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

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

# Directors' Report (Continued)

## MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for 47% and 89%, respectively of the Group's turnover for the year under review.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for 52% and 100%, respectively of the Group's purchases for the year under review.

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

## PRE-EMPTIVE RIGHTS

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

## CORPORATE GOVERNANCE

The independent non-executive directors were not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified by the Company's Bye-laws. In the opinion of the directors, this meets the same objective as the Code of Best Practice set out in the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Save as aforesaid, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2001.

## AUDITORS

Messrs. PricewaterhouseCoopers acted as the auditors of the Company for the year ended 31 December 1999 and Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for the past two years.

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

On behalf of the Board

**Chiu Tao**

*Chairman*

Hong Kong, 19 April 2002