

Report of the Directors

(Amounts expressed in Hong Kong dollars)

The Directors are pleased to present their annual report together with the audited financial statements of the Company and the Group for the year ended 31st December 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing and wholesaling of aluminium extrusion products and chemicals for use in electroplating process produced at facilities located in Nanhai of Guangdong Province and the Hong Kong Special Administrative Region of The People's Republic of China. Other investments included businesses in stainless steel production and sale of Knowledge Management products.

Segmental information of the Group's turnover and contribution to profit from operations for the year ended 31st December 2001 is set out in note 37 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the financial year ended 31st December 2001, the five largest customers of the Group accounted for approximately 37% of the Group's turnover, while the five largest suppliers accounted for approximately 56% of the Group's total purchases. In addition, the largest customer of the Group accounted for approximately 14% of the Group's sales revenue and the largest supplier of the Group accounted for approximately 28% of the Group's purchases.

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

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st December 2001 are set out on page 26 of the 2001 annual report.

The Directors do not recommend the payment of any final dividend at the forthcoming Annual General Meeting for the year ended 31st December 2001.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Movements in share capital and details of warrants and share options scheme of the Company are set out in notes 26, 27 and 28 respectively to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 29 to the accompanying financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of the 2001 annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES AND WARRANTS

During the year ended 31st December 2001, the Company repurchased 5,808,000 shares at the range of HK\$0.104 each to HK\$0.112 each, totalling HK\$625,650.21, on the Stock Exchange of Hong Kong Limited. These repurchased shares were subsequently cancelled.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed warrants during the year ended 31st December 2001.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws of Bermuda.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 15 to the financial statements.

FIXED ASSETS

Movements of fixed assets during the year are set out in note 13 to the financial statements.

BANK LOANS

Particulars of bank loans as at 31st December 2001 are set out in notes 22 and 24 to the financial statements.

PENSION SCHEME

Details of the pension scheme are set in note 33 to the financial statements.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 36 to the financial statements.

CONNECTED TRANSACTIONS

Disposal of King Glass Engineering Limited

On 27th December 2000, Hing Yip Holdings (China) Limited, a wholly-owned subsidiary of the Company, sold 55% of issued share capital of King Glass Engineering Limited ("KGE") for a consideration of HK\$130,000,000 to Mississippi Industrial Limited, an independent third party. At the date of disposal, two of the Executive Directors of the Company, namely, Mr. Luo Ken Yi (now resigned) and Mr. Li Lee Cheung, were also interested in KGE in that they were collectively and beneficially interested in the remaining 45% of the issued share capital of KGE.

The Independent Non-Executive Directors of the Company confirmed that the terms and conditions of the disposal were fair and reasonable so far as the Independent Shareholders were concerned. The disposal was in the best interests of the Company and its Shareholders as a whole.

The relevant ordinary resolutions were approved at the Special General Meeting held on 8th February 2001.

Subscription of 280,830,936 new shares by connected persons

On 10th August 2001, the Company entered into a Subscription Agreement with Holylake Resources Limited ("Holylake") and Grecian Resources Limited ("Grecian"). It was agreed that a total of 636,048,045 shares would be subscribed for by Holylake (as to 477,036,035 shares) and Grecian (as to 159,012,010 shares).

On 6th November 2001, the Company entered into a Supplemental Agreement with Holylake and Grecian. It was agreed that the number of shares for subscription be reduced to 280,830,936 shares whereby 210,623,202 shares and 70,207,734 shares shall be subscribed by Holylake and Grecian respectively at HK\$0.125 per share. The subscription price is determined after arm's length negotiations between the Company, Holylake and Grecian, and represented a premium of approximately 35.87% over the closing price of HK\$0.092 per share quoted on the Stock Exchange of Hong Kong Limited.

CONNECTED TRANSACTIONS (continued)

Holylake and Grecian are shareholders of approximately 13.96% and 5.69% respectively of the total existing issued share capital of the Company as at 6th November 2001. Accordingly, Holylake is a substantial shareholder of and a connected person to the Company under the Listing Rules. In relation to Grecian, it is controlled by Mr. Yip Kim Po who is the Chairman and a shareholder of the Company. Therefore, Grecian is an associate of Mr. Yip Kim Po and a connected person in relation to the Company under the Listing Rules. Accordingly, the subscription of the new shares by Holylake and Grecian pursuant to the Subscription Agreement as amended by the Supplemental Agreement constituted a connected transaction of the Company under the Listing Rules and was subject to the approval of the Independent Shareholders of the Company.

The Independent Non-Executive Directors of the Company confirmed that the terms of the above subscription of new shares were fair and reasonable so far as the Independent Shareholders were concerned and were in the interests of the Company and its Shareholders as a whole.

The relevant ordinary resolution was approved at the Special General Meeting held on 20th December 2001.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this report were:

Mr. Yip Kim Po, Chairman	
Mr. Hui Ho Ming, Herbert, *	(Appointed as Deputy Chairman on 18th April 2002
Deputy Chairman and Vice Chairman	and as Vice Chairman on 9th May 2001)
Mr. Tang Hin Lun, Vice Chairman	
Mr. Chau Po Fan #	
Mr. Choy Tak Ho #	
Mr. Hung Kwok Wa	(Resigned on 18th March 2002)
Mr. Kwan Yan	
Mr. Li Lee Cheung	
Mr. Luo Ken Yi	(Resigned on 28th February 2001)
Mr. Suen Shiu Kay	(Resigned on 8th December 2001)
Ms. Yip Wan Fung	

* Non-Executive Director

Independent Non-Executive Director

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

In accordance with the Bye-laws no. 87(1) of the Company, Mr. Tang Hin Lun and Mr. Chau Po Fan will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. None of the Directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation) with the Company.

DETAILS OF DIRECTORS

Brief details of Directors are set out on pages 23 and 24 of the 2001 annual report.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2001, the Directors of the Company had the following beneficial interests in the shares of HK\$0.10 each in the capital of the Company, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Number of shares	Number of share options
Mr. Yip Kim Po (Notes a, b and c)	1,255,134,460	—
Mr. Tang Hin Lun (Note d)	3,000,000	9,000,000
Mr. Chau Po Fan	200,000	—
Mr. Choy Tak Ho (Note e)	—	5,000,000
Mr. Kwan Yan	9,000,000	—
Mr. Li Lee Cheung	10,000	—
Ms. Yip Wan Fung	111,443,141	—

Notes:

- a. As at 31st December 2001, Holylake Resources Limited ("Holylake") held 727,737,488 shares of the Company. The issued shares of Holylake were owned as to 76% and 24% by Mr. Yip Kim Po and Mr. Yip Lap Chi, respectively. The interests of Mr. Yip Kim Po in the issued shares of the Company were corporate interests in the Company by virtue of Practice Note 5 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' INTERESTS IN SECURITIES (continued)

- b. As at 31st December 2001, Grecian Resources Limited ("Grecian") held 281,039,829 shares of the Company. The issued shares of Grecian were owned as to 76% and 24% by Mr. Yip Kim Po and Mr. Yip Lap Chi, respectively. The interest of Mr. Yip Kim Po in the issued shares were corporate interests in the Company by virtue of Practice Note 5 to the Listing Rules.
- c. Mr. Yip Kim Po held 237,357,143 shares and Mr. Wong Soon Teck (as nominee for Mr. Yip Kim Po) held 9,000,000 shares of the Company. These interests of Mr. Yip Kim Po were personal interests as described in Practice Note 5 to the Listing Rules.
- d. Mr. Tang Hin Lun was interested in options to subscribe for an aggregate of 9,000,000 shares in the Company at HK\$0.1128 per share exercisable during the period from 2nd May 2000 to 3rd September 2007. These interests were personal interests in the Company as described in Practice Note 5 to the Listing Rules.
- e. Mr. Choy Tak Ho was interested in options to subscribe for an aggregate of 5,000,000 shares in the Company at HK\$0.12 per share exercisable during the period from 27th March 1998 to 3rd September 2007. The subscription price of these share options had been adjusted due to the issuance of bonus shares on the basis of two new shares for every one share in issue on 25th November 1999. These interests were personal interests in the Company as described in Practice Note 5 to the Listing Rules

Save as disclosed above, the Company had no notice of any interest required to be recorded under Section 29 of the SDI Ordinance as at 31st December 2001.

Subsequent to the year end, Mr. Hui Ho Ming, Herbert acquired 10,000,000 shares in the Company at HK\$0.094 each on 6th March 2002. Such information was recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Existing Share Option Scheme was approved at a special general meeting of the Company held on 4th September 1997.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

The share options granted to and held by the following persons during the year were as below:

Name	Subscription price per share HK\$	Number of share options			
		Beginning of year	Granted during the year	Exercised during the year	End of year
Executive Director:					
Mr. Tang Hin Lun	0.1128 (Note a)	9,000,000	–	–	9,000,000
Independent Non-Executive Director:					
Mr. Choy Tak Ho	0.12 (Note b)	5,000,000	–	–	5,000,000
		14,000,000	–	–	14,000,000

Notes:

- The options with subscription price of HK\$0.1128 are exercisable at any time during the period from 2nd May 2000 to 3rd September 2007.
- The options with subscription price of HK\$0.12 (as adjusted due to the issuance of bonus share on the basis of two shares for every one share in issue on 25th November 1999) are exercisable at any time during the period from 27th March 1998 to 3rd September 2007.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or its holding companies a party to any arrangements enabling any of the Company's Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

NEW SHARE OPTION SCHEME

A resolution proposing the termination of the Existing Share Option Scheme and the adoption of a New Share Option Scheme in compliance with the new requirements of Chapter 17 of the Listing Rules effected on 1st September 2001 will be proposed at the forthcoming Annual General Meeting to be held on 7th June 2002. Details of the New Share Option Scheme are set out in the circular sent together with the 2001 annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the preceding paragraphs and note 35 to the financial statements, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies in which any of the Company's Directors or members of its management 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 31st December 2001, the following entity (not being a Director or chief executive of the Company) had registered an interest in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage shareholding
Holylake Resources Limited	727,737,488	18.26%

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 31st December 2001.

EXPIRY OF WARRANTS

On 28th August 2000, the Company issued 630,000,000 units of warrants at a price of HK\$0.04 per unit. Each warrant was entitled to subscribe for one share in the Company at a subscription price of HK\$0.16 per share. The warrants were exercisable during the period from 28th August 2000 to 31st December 2001.

During the year ended 31st December 2001, 20,000,000 warrants were exercised. The outstanding unexercised warrants expired on 31st December 2001.

CODE OF BEST PRACTICE

The Group has complied 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 throughout the year under review notwithstanding that the Independent Non-Executive Directors, Mr. Chau Po Fan and Mr. Choy Tak Ho, are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with the Bye-laws of the Company.

Mr. Hui Ho Ming, Herbert, a Non-Executive Director, is appointed on a three-year term basis.

Report of the Directors

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formulation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness both of the external and internal audit, internal controls and risk evaluation. The Committee comprises Mr. Choy Tak Ho (the chairman), Mr. Chau Po Fan and Mr. Hui Ho Ming, Herbert.

AUDITORS

The financial statements were audited by Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Last year, the auditors, Messrs. Arthur Anderson & Co. resigned and Messrs. Moores Rowland were appointed as auditors of the Company. There have been no other changes of auditors in the past three years.

On behalf of the Board

Yip Kim Po

Chairman

Hong Kong, 18th April 2002