



## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 16 to the financial statements.

### CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 99.5% of the Group's turnover, with the largest customer accounted for approximately 87.9%. The aggregate purchases attributable to the Group's five largest suppliers were approximately 47.1% of total purchases of the Group, with the largest supplier accounted for approximately 20.1%.

At no time during the year did any director, any associate of a director, or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's share capital, have any beneficial interests in the Group's five largest customers or suppliers.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 18.

An interim dividend of HK\$0.08 per share amounting to HK\$25,818,000 was paid to the shareholders during the year. The directors now recommend a payment of a final dividend of HK\$0.09 per share to the shareholders on the register of members on 15th April, 2003, amounting to HK\$29,045,000, and the retention of the remaining profit for the year of HK\$10,225,000.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired plant and machinery, construction in progress and leasehold improvement of HK\$19,190,000, HK\$7,392,000 and HK\$2,277,000 respectively.

Details of the above and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.



## DIRECTORS' REPORT

### SHARE CAPITAL

Movements during the year in the share capital of the Company are set out in note 21 to the financial statements.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 21 and note 22 to the financial statements respectively.

### DIRECTORS

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

#### **Executive directors:**

Cheng Yung Pun (*Chairman*)

Cheng Wing See, Nathalie

Yu Sui Chuen

Lee Sai Keung, Daniel

(appointed on 24th May, 2002)

#### **Independent non-executive directors:**

Heng Kwo Seng

Mak Shiu Chung, Godfrey

In accordance with the provisions of the Company's bye-laws, Miss Cheng Wing See, Nathalie, Messrs. Lee Sai Keung, Daniel and Heng Kwo Seng retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's bye-laws.

### DIRECTORS' SERVICE CONTRACTS

Mr. Yu Sui Chuen, the executive director, has entered into a service agreement with the Company which commenced from 8th September, 2000 and is terminable by either party giving not less than six months' written notice.

Mr. Lee Sai Keung, Daniel, the executive director, has entered into a service agreement with the Company which commenced from 24th May, 2002 and is terminable by either party giving not less than one month's written notice.

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

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SECURITIES

#### Shares

At 31st 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 ("SDI Ordinance") were as follows:

Name of directors	Number of shares held	
	Personal interests	Corporate interests
Cheng Yung Pun ("Mr. Cheng")	–	239,654,800 (Note)
Cheng Wing See, Nathalie	700,000	–
Yu Sui Chuen	604,000	–
Lee Sai Keung, Daniel	600,000	–

*Note:* The shares are held by Suncorp Investments Group Limited ("Suncorp"), a company incorporated in the British Virgin Islands. The entire issued share capital of Suncorp is wholly owned by Mr. Cheng. In addition, Suncorp holds the entire interest of the convertible loan stock of the Company.

Save as disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

### SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 31 to the financial statements.

No options were granted or exercised under the scheme during the year and there were no outstanding share options at 31st December, 2002.

At 31st December, 2002, the total number of shares available for issue under the Company's share option scheme was 32,272,000 shares which represented 10% of the issued share capital of the Company.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its holding 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, or debentures of, the Company or any other body corporate.



## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

On 18th January, 2002, the Group acquired 100% interest in Keyhinge Holdings Limited and its subsidiary ("Keyhinge Group"). The acquisition constituted a major and connected transaction of the Company and was approved by the independent shareholders during the year. Details of the acquisition of Keyhinge Group are set out in note 25 to the financial statements.

A tenancy agreement was entered between Matrix Resources Enterprise Limited and Kwok Lung Industrial Company Limited ("Kwok Lung") on 1st May, 2001 in respect of premises in Hong Kong. The rental paid or payable for the year in respect of this tenancy agreement amounted to HK\$192,000. Mr. Cheng has beneficial interest in Kwok Lung.

During the year, interest on the 5% convertible loan stock amounting to HK\$1,612,000 was accrued and payable to Suncorp.

Suncorp converted an amount of HK\$7,700,000 convertible loan stock into 77,000,000 ordinary shares of HK\$0.10 each in the Company in January 2002 and HK\$10,100,000 convertible loan stock into 101,000,000 ordinary shares of HK\$0.10 each in the Company in July 2002.

Save as disclosed above, no other contracts of significance to which the Company, its holding 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.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2002 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the non-executive directors are not appointed for specific terms as they are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the bye-laws of the Company.

### SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of the directors of the Company, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest of 10% or more in the share capital of the Company as at 31st December, 2002.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



## DIRECTORS' REPORT

### PRE-EMPTIVE RIGHTS

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

### AUDITORS

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

**Cheng Yung Pun**

*Chairman*

Hong Kong, 13th March, 2003