

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31 December 2002.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company was investment holding. The principal activities of the Group during the year were trading of information technology products and provision of customised information system consultancy and integration services. There were significant changes in the nature of the Group's principal activities during the year. In last year, the Group's principal activities were the construction and installation of curtain wall system and aluminium windows.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated profit and loss account on page 24.

The directors do not recommend the payment of a dividend (2001: Nil).

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the accounts.

### FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options are set out in note 23 to the accounts.

### DISTRIBUTABLE RESERVES

As at 31 December 2002, the Company did not have any reserves available for distribution as calculated under the Companies Act 1981 of Bermuda (as amended) (2001: HK\$570,000). However, the Company's share premium account, in the amount of HK\$100,556,000 (2001:HK\$18,661,000) may be distributed in the form of fully paid bonus shares.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

### 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 62.

## REPORT OF THE DIRECTORS

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

### DIRECTORS

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

#### Executive directors:

CHEUNG Yuk Fung

KUI Man Chun

LO Siu Yu

*(appointed on 28 February 2003)*

XU Wensheng

*(appointed on 28 February 2003)*

LI Wenjin

CHAN Yiu Kwong

SU Terry Lumin

XU Chang Jun

WANG Xiao Qing

#### Independent non-executive directors:

HILES Colin Clive

*(resigned on 28 February 2003)*

LAU Wai Kit

*(appointed on 28 February 2003)*

XU Sitao

Pursuant to the Company's bye-laws 86(2), Lo Siu Yu, Xu Wensheng and Lau Wai Kit will hold office until the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Company's bye-laws 87(1) and 87(2), all of the Directors, except for Chairman of the Board of Directors, Cheung Yuk Fung who shall continue in office, are subject to retirement by rotation and re-election at the annual general meeting of the Company.

Kui Man Chun and Li Wenjin will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### DIRECTORS' SERVICE CONTRACTS

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 determinable within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its 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.

## REPORT OF THE DIRECTORS

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 9 to 10 of the annual report.

### DIRECTORS' INTERESTS IN EQUITY

As at 31 December 2002, the interests of the Directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company under Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

#### (a) Ordinary shares of HK\$0.01 each in the Company

Name of Director	Number of shares held		Total (Note)
	Personal interest	Corporate Interest (Note)	
Kui Man Chun	–	189,270,909	189,270,909

*Note:* These shares are held by Kui Man Chun through Hi Sun Limited, a company which Kui Man Chun holds a 99.16% interest, and Rich Global Limited, a wholly-owned subsidiary of Hi Sun Limited.

#### (b) Ordinary shares in associated corporations

Name of Director	Name of associated corporation	Number of shares held	Category of interest
Kui Man Chun	Rich Global Limited	2 ordinary shares	Corporate
Kui Man Chun	Hi Sun Limited	30,245,000 ordinary shares	Personal
Li Wenjin	Hi Sun Limited	255,000 ordinary shares	Personal

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporation as defined in the SDI Ordinance.

Save as disclosed under the heading "Share option scheme" below, at no time during the year was the Company, its fellow subsidiaries or its holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or other body corporate.

### SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of attracting, retaining and motivating talented employees in order to strive for future developments and expansion of the Group. Eligible participants of the Scheme include the Group's full-time employees, and executive and non-executive Directors. The Scheme became effective on 29 November 2001 and unless otherwise cancelled or amended, will remain valid and effective for a period of 10 years from that date.

The total number of shares in respect of which options may be granted shall not (together with all the other Schemes, if any) exceed 10% of the total issued capital of the Company as at date of approval of the Scheme unless the Company obtains a fresh approval from its shareholders to renew the 10% limit.

The maximum number of shares in respect of which options may be granted under the Scheme, together with any unexercised share options granted under the Scheme and any other share option schemes of the Company in issue, may not exceed 30% of the relevant class of securities of the Company in issue at any time. At 31 December 2002, no share options had been granted.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company or to any of their associates, in excess of 1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences either immediately or after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31 December 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares
Rich Global Limited ("RGL")	189,270,909
Hi Sun Limited ("HSL")	189,270,909 (Note 1)
Kui Man Chun	189,270,909 (Note 2)

Note:

- (1) HSL is interested in the Company's share capital by virtue of its 100% shareholding in RGL.
- (2) Kui Man Chun is interested in the Company's share capital by virtue of his 99.16% shareholding in HSL.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### CONNECTED TRANSACTIONS

Connected transactions during the year were:

- (1) On 28 February 2002, the Company through its wholly owned subsidiary, Hi Sun (BVI) Limited, acquired the entire issued share capital of Hi Sun Technology Holding Limited ("Hi Sun Technology") at a cash consideration of HK\$9.6 million from, among others, Hi Sun Limited and Chan Yiu Kwong, who is also an executive Director of the Company. Hi Sun Limited is owned as to approximately 99.16% by Kui Man Chun, an executive Director of the Company and Hi Sun Technology, and approximately 0.84% by Li Wenjin, also an executive Director of the Company. The acquisition constitutes a connected transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), required to be disclosed in accordance with Chapter 14.
- (2) Other significant related party transactions entered by the Group during the year ended 31 December 2002, which also constitute connected transactions under the Listing Rules are disclosed in note 29 to the accounts.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers accounted for 32% of the total sales of the Group. The sales attributable to the largest customer included therein was about 17% of the Group's total sales. During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers.

None of the Directors, their associates or any shareholders which, to the knowledge of the Directors, own more than 5% of the Company's share capital had an interest in the major customers or suppliers noted above.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), except that the independent non-executive Directors are not appointed for specific terms, but are subject to retirement by rotation pursuant to the Company's bye-laws.

### 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 Effective 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 audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, Lau Wai Kit and Xu Sitao. Two meetings were held during the year ended 31 December 2002.

### AUDITORS

The accounts have been audited by PricewaterhouseCoopers (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Ernst & Young on 23 August 2002) who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

**Cheung Yuk Fung**

*Chairman*

Hong Kong, 22 April 2003