

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are set out in note 14 to the financial statements.

CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 99.8% of the Group's turnover, with the largest customer accounting for approximately 60.4%. The aggregate purchases attributable to the Group's five largest suppliers was approximately 66.6% of total purchases of the Group.

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, 2000 are set out in the consolidated income statement on page 17.

Details of the segmental information are set out in note 4 to the financial statements.

The directors do not recommend the payment of a final dividend (1999: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out on page 40.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Movements during the year in the share capital of the Company are set out in note 18 to the financial statements.

DIRECTORS' REPORT

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

DIRECTORS

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

Executive directors:

Cheng Yung Pun (<i>Chairman</i>)	(appointed on 8th September, 2000)
Cheng Wing See, Nathalie	(appointed on 8th September, 2000)
Yu Sui Chuen	(appointed on 8th September, 2000)
Low Nyap Heng	(appointed on 2nd May, 2000 and resigned on 30th September, 2000)
Wong Chak Hung, James	(resigned on 30th September, 2000)

Non-executive directors:

Teoh Beng Leong	(appointed on 2nd May, 2000 and resigned on 30th September, 2000)
Yap Set	(appointed on 2nd May, 2000 and resigned on 30th September, 2000)
Fung Lai Yin	(appointed on 27th September, 2000 and resigned on 18th October, 2000)

Independent non-executive directors:

Heng Kwoo Seng	
Mak Shiu Chung, Godfrey	(appointed on 2nd May, 2000)

In accordance with the provisions of the Company's bye-laws, Ms. Cheng Wing See, Nathalie and Messrs. Cheng Yung Pun, Yu Sui Chuen, Heng Kwoo Seng and Mak Shiu Chung, Godfrey retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

Other than as disclosed above, no director 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, 2000, 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 director	Number of shares held	
	Personal interests	Corporate interests
Cheng Yung Pun	–	105,330,800

The interest in shares are held by Suncorp Investments Group Limited ("Suncorp"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Cheng Yung Pun. In addition, Suncorp holds the entire interest of the convertible loan stock of the Company in an amount of HK\$44 million.

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the 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' INTERESTS IN CONTRACTS AND CONNECTED PARTY TRANSACTIONS

Mr. Wong Chak Hung, James ("Mr. Wong"), a former chairman of the Company, had advanced to the Company about HK\$5.4 million from July 1999 to January 2000, which had been secured by certain assets of the Group with the approval of the Financial Creditors and approved by the Independent Shareholders at a Special General Meeting held on 30th April, 2000. The security granted by the Group was released by Mr. Wong on 10th March, 2000.

Since January 2000, Mental Resources Limited ("MRL"), a former shareholder of the Company, had advanced about HK\$13.5 million to the Company for it to pay for its operating expenses. The above advance is unsecured and interest free.

DIRECTORS' REPORT**DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED PARTY TRANSACTIONS (continued)**

After completion of the financial restructuring of the Group on 30th April, 2000, the Group received equity capital of HK\$10 million and debt capital of HK\$44 million and MRL became the controlling shareholder and owned approximately 69.10% interest in the issued share capital of the Company. MRL is beneficially owned as to 87.5% by Oilpro (Asia) Limited ("Oilpro") and 12.5% by Mr. Wong. Oilpro is beneficially and wholly owned by Mr. Low Nyap Heng, a former director of the Company.

Details of the above transactions were set out in the restructuring circular sent to the shareholders of the Company dated 7th April, 2000.

During the year, an interest on the 5% convertible loan stock amounting to HK\$1,467,000 was accrued and payable to Suncorp.

On 30th August, 2000, Suncorp has provided working capital facilities (the "Facilities") of HK\$10 million for the Group for one year from then onwards. The Facilities replaced the previous working capital facilities of HK\$10 million for the Group provided by MRL.

Included in the restructuring cost for the year is an amount of HK\$4,654,000 reimbursed to the former shareholders, who are also former directors of the Company, through the former Company's lawyer. The directors are in the process of ascertaining the existence of any independent information or documentation about the above expense. As at the date of this report, the directors have not yet completed this process.

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.

CHANGE OF CONTROLLING SHAREHOLDER AND UNCONDITIONAL CASH OFFER

On 30th June, 2000, Suncorp entered into an agreement with MRL, Best Fortune Profits Limited ("Best Fortune"), Mr. Wong and Oilpro, pursuant to which Suncorp agreed to acquire 92,990,200 shares ("Sale Shares") at HK\$0.2365 per share for a total consideration of HK\$21,992,182 and the convertible loan stock ("Sale Convertible Loan Stock") with an aggregate face value of HK\$40,653,624 for a total consideration of HK\$96,145,821. The consideration of HK\$96,145,821 for the Sale Convertible Loan Stock was calculated on the basis of HK\$0.2365 per Share, which was determined after arm's length negotiations. The sale price of HK\$0.2365 per Share was equal to the sale price of the Sale Shares. Following the completion which took place on 25th August, 2000, Suncorp and parties acting in concert with it became interested in 92,990,200 Sale Shares, representing 64.26% of the issued share capital of the Company and all the outstanding convertible loan stock with an aggregate face value of HK\$44,000,000.

Details of the above transactions are set out in the unconditional cash offer circular sent to the shareholders of the Company dated 8th September, 2000.

DIRECTORS' REPORT**SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed above in respect of 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, 2000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

RESUMPTION OF TRADING

Since 3rd May, 2000, trading in shares of the Company was resumed on The Stock Exchange of Hong Kong Limited.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st December, 2000 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, except that:

1. 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;
2. an audit committee was only established on 2nd May, 2000 by the directors in compliance with paragraph 14 of the said Code of Best Practice and comprises two independent non-executive directors, Mr. Heng Kwo Seng and Mr. Mak Shiu Chung, Godfrey. The audit committee was established with written terms of reference which deal clearly with its authorities and duties. The financial statements for the year ended 31st December, 2000 have been reviewed by the audit committee; and
3. there remained only one independent non-executive director for the period from 1st January, 2000 to 1st May, 2000. Mr. Mak Shiu Chung, Godfrey was appointed as the additional independent non-executive director on 2nd May, 2000.

DIRECTORS' REPORT**EMPLOYEES**

As at 31st December, 2000, the Group had approximately 2,000 employees. The Group provides competitive remuneration packages to employees commensurable to the level and market trend of pay in the business in which the Group operates, with mandatory provident fund scheme and share option scheme set out in note 28 and note 19 to the financial statements respectively.

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, 22nd March, 2001