

# 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 2000.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 34, 35 and 36 to the financial statements, respectively.

## RESULTS

The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 14.

The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2000.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 52.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group disposed of properties with an aggregate net book value of approximately HK\$26,088,000 resulting from the disposal of subsidiaries.

Details of this and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 9 to the financial statements.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 19 to the financial statements.

## WARRANTS

Details of movements during the year in the warrants of the Company are set out in note 21 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)

### BORROWINGS

All of the Group's borrowings are repayable within one year. Details of the borrowings are set out in notes 17 and 18 to the financial statements, respectively. No interest has been capitalised by the Group during the year ended 31 December 2000.

### FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

At 31 December 2000, the aggregate amount of advances made by the Group to Chinachem Industries Limited and its subsidiary ("Chinachem"), deemed to be affiliated companies as defined in Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") of the Group, was approximately HK\$54,050,000, which has been provided during the year. The advances are unsecured, non-interest bearing and have no fixed repayment terms.

The advances to Chinachem represented approximately 23% of the Group's audited net assets as at 31 December 2000.

### DIRECTORS

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

Chiu Tao — *Chairman*

Yeung Kwok Yu — *Vice Chairman*

Kwan Kam Hung, Jimmy

Chiu Kong

Tsui Ching Hung

Chung Nai Ting

Tse Lanny Cheuk Ming

*(appointed on 8 December 2000)*

Suen Cho Hung, Paul (formerly known as Sun Wang)

*(resigned on 8 December 2000)*

Tong Wui Tung\*

Chan Sze Hung\*

\* *Independent non-executive directors*

In accordance with Clause 86(2) and 87 of the Company's Bye-laws, Mr. Kwan Kam Hung, Jimmy, Mr. Chiu Kong, and Mr. Tse Lanny Cheuk Ming retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Directors' Report (Continued)

### BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out below:

#### Executive Directors

**Mr. Yeung Kwok Yu**, aged 49, 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 39, 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.

**Mr. Chiu Kong**, aged 43, 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 47, 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 45, 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 36, 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 45, 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.

## Directors' Report (Continued)

### BIOGRAPHICAL DETAILS OF DIRECTORS (Continued)

#### Independent Non-executive Directors

Mr. Tong Wui Tung, aged 50, 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 48, was appointed as an independent non-executive director of the Company in December 1999. Mr. Chan is a solicitor practising in Hong Kong. He joined a legal firm for approximately three years prior to becoming a principal partner in the law firm of Chan, Lau & Wai.

### DIRECTORS' INTEREST IN SECURITIES

At 31 December 2000, 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' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Details of the share option scheme of the Company are set out in note 20 to the financial statements.

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

### DIRECTORS' SERVICE CONTRACTS

Mr. Yeung Kwok Yu and Mr. Kwan Kam Hung, Jimmy have entered into service contracts with the Company for a term of three years commencing from 1 July 1998 which are not terminable within one year without payment of compensation.

Apart from the above, 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.

## **Directors' Report** (Continued)

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Other than as set out in note 32 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.

### **CONNECTED TRANSACTIONS**

On 15 April 2000, the Group entered into an agreement for the disposal of its 51% equity interest in Shangqiu Yonghe Aluminium Co., Ltd., a joint venture of the Company, to the joint venture party at a consideration of HK\$5,000,000.

### **SUBSTANTIAL SHAREHOLDERS**

At 31 December 2000, the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

### **CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS**

Other than share option scheme and the warrants as set out in notes 20 and 21 to the financial statements, respectively, the Company had no outstanding convertible securities or other similar rights as at 31 December 2000.

### **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.

### **MAJOR CUSTOMERS AND SUPPLIERS**

The largest customer of the Group by itself and together with the next four largest customers accounted for 25% and 83%, 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 32% and 87%, 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.

## **Directors' Report** (Continued)

### **POST BALANCE SHEET EVENT**

Details of a significant post balance sheet event are set out in note 33 to the financial statements.

### **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-rate basis to existing shareholders.

### **CORPORATE GOVERNANCE**

In December 2000, the Company established an Audit Committee comprising of Mr. Tong Wui Tung and Mr. Chan Sze Hung, independent non-executive directors of the Company. In establishing the terms of reference for this committee, the directors have had regard to the "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

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 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 2000.

### **AUDITORS**

During the year, Messrs. PricewaterhouseCoopers, who were the auditors of the Company for the two years ended 31 December 1999, resigned as auditors of the Company and Messrs. Deloitte Touche Tohmatsu were appointed in their place.

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, 10 April 2001