

## REPORT OF THE DIRECTORS

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

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries and associates are set out in notes 15 and 16, respectively, to the financial statements.

### SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating results by geographical location and principal activities is as follows:

#### By geographical location

	Contribution to		Contribution to	
	operating		operating	
	Turnover	results	Turnover	results
	2000	2000	1999	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	249,116	(22,048)	283,329	(88,833)
Mainland China	195,435	40,201	183,668	12,324
	<u>444,551</u>	<u>18,153</u>	<u>466,997</u>	<u>(76,509)</u>

## REPORT OF THE DIRECTORS (continued)

### SEGMENTAL INFORMATION (continued)

#### By activity

	Contribution to		Contribution to	
	operating	operating	operating	operating
	Turnover	results	Turnover	results
	2000	2000	1999	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Paint manufacturing	359,884	78,933	364,086	78,032
Property investments and development	64,991	(12,950)	79,427	(110,048)
Trading of goods	13,036	201	14,288	309
Strategic investments and others	6,640	(1,590)	9,196	(7,628)
	<u>444,551</u>	<u>64,594</u>	<u>466,997</u>	<u>(39,335)</u>
Net interest expenses		(10,699)		(2,969)
General and administrative expenses		(35,742)		(34,205)
		<u>(46,441)</u>		<u>(37,174)</u>
		<u>18,153</u>		<u>(76,509)</u>

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 66.

The directors do not recommend the payment of any dividend for the year ended 31 December 2000.

### MAJOR SUPPLIERS AND CUSTOMERS

#### Suppliers

In the year under review, purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

#### Customers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

## REPORT OF THE DIRECTORS (continued)

### SUMMARY OF FINANCIAL INFORMATION

The following table summarises the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate.

	Year ended 31 December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
<b>RESULTS</b>					
Turnover:					
Continuing operations	444,551	466,997	419,724	557,021	583,300
Discontinued operations	-	-	1,089,570	1,004,988	807,248
	<u>444,551</u>	<u>466,997</u>	<u>1,509,294</u>	<u>1,562,009</u>	<u>1,390,548</u>
Operating profit/(loss):					
Continuing operations	18,153	(76,509)	(538,515)	103,831	36,021
Discontinued operations	-	-	70,254	131,256	118,768
	<u>18,153</u>	<u>(76,509)</u>	<u>(468,261)</u>	<u>235,087</u>	<u>154,789</u>
Share of profits less losses of associates:					
Continuing operations	14,159	2,409	(35,812)	(21,507)	20
Discontinued operations	-	306	(55,357)	-	-
	<u>14,159</u>	<u>2,715</u>	<u>(91,169)</u>	<u>(21,507)</u>	<u>20</u>
Gain on disposal of discontinued operations					
	-	548,485	-	-	-
Profit/(Loss) before tax	32,312	474,691	(559,430)	213,580	154,809
Tax	(9,600)	(14,581)	(3,830)	(8,485)	(8,017)
Profit/(Loss) before minority interests	22,712	460,110	(563,260)	205,095	146,792
Minority interests	1,167	(233,498)	(5,094)	(60,093)	(19,327)
Net profit/(loss) from ordinary activities attributable to shareholders	<u>23,879</u>	<u>226,612</u>	<u>(568,354)</u>	<u>145,002</u>	<u>127,465</u>
<b>ASSETS AND LIABILITIES</b>					
Total assets	1,313,404	1,557,286	1,855,290	3,367,298	2,919,899
Total liabilities	(238,964)	(355,285)	(837,403)	(1,283,969)	(1,321,220)
Minority interests	(46,320)	(47,593)	(204,068)	(774,578)	(399,559)
Net assets	<u>1,028,120</u>	<u>1,154,408</u>	<u>813,819</u>	<u>1,308,751</u>	<u>1,199,120</u>

## **REPORT OF THE DIRECTORS** (continued)

### **FIXED ASSETS**

Details of movements in the fixed assets of the Group and the Company are set out in note 12 to the financial statements.

### **INVESTMENT PROPERTIES**

Details of movements in the investment properties of the Group are set out in note 13 to the financial statements.

### **PROPERTIES UNDER DEVELOPMENT**

Details of movements in the properties under development of the Group are set out in note 14 to the financial statements.

### **SUBSIDIARIES**

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

### **ASSOCIATES**

Particulars of the Company's principal associates are set out in note 16 to the financial statements.

### **BANK LOANS AND OTHER BORROWINGS**

Details of the bank loans and other borrowings of the Group are set out in notes 27 and 28 to the financial statements.

### **INTEREST CAPITALISED**

No interest (1999: HK\$4,324,000) was capitalised during the year in respect of the Group's property development projects.

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of the movements in issued shares and share options of the Company during the year are set out in note 30 to the financial statements.

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## REPORT OF THE DIRECTORS (continued)

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

At 31 December 2000, the Company's reserves available for distribution, calculated in accordance with the provisions of The Companies Act 1981 of Bermuda (as amended) ("Bermuda's Companies Act"), amounted to HK\$28,017,000. The contributed surplus of the Company is distributable to shareholders in certain circumstances, prescribed by Section 54 of the Bermuda's Companies Act. In addition, the Company's share premium account and capital redemption reserve may be distributed in the form of fully paid bonus shares.

### DIRECTORS

The directors of the Company during the year were as follows:

Tsui Tsin Tong

Sir David Akers-Jones\*

Philip Tsui Ho Chuen

Paul Lam Ting Ball

Lau Wong Fat\*

Terry Tsui Yam Tong

Thomas Lai Sin Tong\* (resigned on 1 December 2000)

Wu Tat Po (appointed on 29 June 2000)

Paul Ng Suen Tak\* (appointed on 21 August 2000)

\* independent non-executive director

In accordance with the Company's bye-laws, Messrs. Lau Wong Fat, Wu Tat Po and Paul Ng Suen Tak will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

## REPORT OF THE DIRECTORS (continued)

### DIRECTORS' INTERESTS IN SHARE CAPITAL AND DEBT SECURITIES

As at 31 December 2000, the interests of the directors of the Company in the share capital of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name	Number of shares held		Total
	Personal interests	Other interests	
Tsui Tsin Tong	6,000,000	Nil	6,000,000
Sir David Akers-Jones	2,405,000	Nil	2,405,000
Philip Tsui Ho Chuen	Nil	537,473,906*	537,473,906
Lau Wong Fat	500,000	Nil	500,000
Terry Tsui Yam Tong	1,124,000	537,473,906*	538,597,906

\* Such interests arose as a result of Messrs. Philip Tsui Ho Chuen and Terry Tsui Yam Tong each being a discretionary object of a discretionary trust, the corporate trustee of which, Rapid Growth Ltd., beneficially held 537,473,906 shares in the Company under the SDI Ordinance as at 31 December 2000.

As at 31 December 2000, the interests of the directors of the Company in options to subscribe for shares in the Company under the share option scheme of the Company were as follows:

Name	Exercise period	Exercise price per share HK\$	Number of shares under options			
			Balance at 1 January 2000	Granted during the year	Lapsed during the year	Balance at 31 December 2000
Tsui Tsin Tong	23 May 1995 to 22 May 2001	0.324	12,000,000	-	-	12,000,000
	1 November 1997 to 31 October 2000	0.664	5,900,000	-	(5,900,000)	-
Sir David Akers-Jones	23 August 2000 to 22 August 2003	0.224	-	1,000,000	-	1,000,000
Philip Tsui Ho Chuen	23 August 2000 to 22 August 2003	0.224	-	6,000,000	-	6,000,000
Terry Tsui Yam Tong	23 August 2000 to 22 August 2003	0.224	-	6,000,000	-	6,000,000
Lau Wong Fat	23 May 1995 to 22 May 2001	0.324	1,000,000	-	-	1,000,000
Wu Tat Po	23 August 2000 to 22 August 2003	0.224	-	1,000,000	-	1,000,000

## **REPORT OF THE DIRECTORS** (continued)

### **DIRECTORS' INTERESTS IN SHARE CAPITAL AND DEBT SECURITIES** (continued)

Save as disclosed above, none of the directors or their respective associates had any interest (including personal, family or corporate interests) in the share capital or debt securities of the Company and its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance as at 31 December 2000, and no right had been granted to, or exercised by, any director of the Company, or his spouse, or children under 18 years of age to subscribe for shares in or debt securities of the Company during the year under review.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES**

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable 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, other than under the share option scheme of the Company pursuant to which options were granted to certain directors. Details of the interests of the directors of the Company in the share options of the Company are set out in the section headed "Directors' interests in share capital and debt securities".

### **DIRECTORS' INTERESTS IN CONTRACTS**

None of the directors had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

### **DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## REPORT OF THE DIRECTORS (continued)

### BRIEF BIOGRAPHIES IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

#### Directors

Name	Age	Position held	Number of years of service	Business experience
Tsui Tsin Tong JP	61	Chairman	16	More than 30 years' experience in the investment and property fields
Sir David Akers-Jones KBE, CMG, JP	73	Deputy Chairman	10	Former Chief Secretary specialising in land planning and housing development
Philip Tsui Ho Chuen	37	Executive Vice Chairman	16	Solicitor
Paul Lam Ting Ball	59	Managing Director	28	More than 28 years' experience in the paint industry
Lau Wong Fat OBE, JP	64	Director	10	More than 26 years' experience in land and property business
Terry Tsui Yam Tong	55	Director	14	More than 28 years' experience in administration and management
Wu Tat Po	54	Finance Director	1	More than 20 years' experience in fund management
Paul Ng Suen Tak	63	Director	1	More than 35 years' experience in the shipping and trading fields



# REPORT OF THE DIRECTORS (continued)

## BRIEF BIOGRAPHIES IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Senior management

The businesses of the Group are under the direct responsibility of four directors, namely, Dr. Tsui Tsin Tong, Messrs. Philip Tsui Ho Chuen, Paul Lam Ting Ball and Terry Tsui Yam Tong.

Note: Dr. Tsui Tsin Tong and Mr. Terry Tsui Yam Tong are brothers and Mr. Philip Tsui Ho Chuen is the son of Dr. Tsui Tsin Tong.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, according to the register kept by the Company under Section 16 of the SDI Ordinance, the following shareholders of the Company were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares held
Rapid Growth Ltd. (Note 1)	537,473,906
Jade Fortune Venture Limited (Note 2)	200,000,000

Note 1: The interest of Rapid Growth Ltd. is detailed in the section headed "Directors' interests in share capital and debt securities" as set out above.

Note 2: Jade Fortune Venture Limited was taken to have an interest in 200,000,000 shares in the Company by virtue of a security interest over these shares charged by Rapid Growth Ltd.. Morganite Holding Limited and Mr. Tse Cho Tseung were deemed to be interested in these shares under the SDI Ordinance by virtue of their shareholding interests in Jade Fortune Venture Limited.

Save as disclosed above, the directors of the Company are not aware of any other person who, as at 31 December 2000, was directly or indirectly beneficially interested in 10% or more of the issued share capital of the Company.

### PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2, 4 and 34(c) to the financial statements, respectively.

### FINANCIAL ASSISTANCE AND GUARANTEES PROVIDED TO AFFILIATED COMPANIES

The aggregate amount of the financial assistance and guarantees given for banking facilities granted to the affiliated companies of the Company by the Company and the Group as at 31 December 2000 amounted to approximately HK\$306,170,000 which represented approximately 29.8% of the Group's consolidated net asset value as at 31 December 2000. The proforma combined balance sheet of and the Group's attributable interest in these affiliated companies as at 31 December 2000 are disclosed pursuant to paragraph 3.10 of Practice Note 19 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") as follows:

## REPORT OF THE DIRECTORS (continued)

### FINANCIAL ASSISTANCE AND GUARANTEES PROVIDED TO AFFILIATED COMPANIES (continued)

	Combined HK\$'000	The Group's attributable interest HK\$'000
<b>NON-CURRENT ASSETS</b>		
Fixed assets	100,964	43,321
Properties under development	8,768	3,069
Interests in associates	56,982	28,491
Long term investments	216	76
	<u>166,930</u>	<u>74,957</u>
<b>CURRENT ASSETS</b>		
Short term investments	19,672	8,734
Inventories	62,909	26,602
Properties held for sale	38,227	19,114
Trade receivables	66,758	28,654
Prepayments, deposits and other receivables	16,189	7,020
Due from holding companies	97	48
Due from related companies	3,418	1,333
Cash and bank balances	38,587	16,519
	<u>245,857</u>	<u>108,024</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	27,078	11,252
Other payables and accruals	29,588	12,495
Bills payable and import loans	6,665	2,959
Interest-bearing bank and other borrowings	17,423	6,609
Current portion of finance lease payables	1,032	304
Due to holding companies	34,807	9,614
Due to related companies	272,213	134,415
Dividend payable	6,738	2,828
Tax payable	709	266
	<u>396,253</u>	<u>180,742</u>
<b>NET CURRENT LIABILITIES</b>	<u>(150,396)</u>	<u>(72,718)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	16,534	2,239
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	(9,607)	(3,391)
Long term portion of finance lease payables	(152)	(41)
Due to holding companies	(38,121)	(17,142)
	<u>(47,880)</u>	<u>(20,574)</u>
	<u>(31,346)</u>	<u>(18,335)</u>