

## D I R E C T O R S ' R E P O R T

The directors present their report together with the audited financial statements for the year ended 31 December 2000.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the holding of equity or equity-related investments and the provision of management services to these investee companies.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2000 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 16 to 41.

The directors do not recommend the payment of a dividend.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

### DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$3,000 (1999: HK\$8,000).

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment during the year are set out in note 11 to the financial statements.

### SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's principal subsidiaries and the Group's principal associated companies as at 31 December 2000 are set out in notes 12 and 13 to the financial statements respectively.

### CHANGE OF COMPANY NAME

By a special resolution passed on 29 June 2000, the Company changed its name from Dezhong Enterprises Investments Limited (德中企業投資有限公司) to GR Investment Holdings Limited (格瑞投資有限公司) with effect from 17 July 2000.

## DIRECTORS' REPORT

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 20 to the financial statements.

### FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 42.

### DIRECTORS

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

Lam Sai Ho, Anthony	(appointed on 18 May 2000)
Leung Chi Keung	(appointed on 6 January 2000)
Lo Wai Mei	(appointed on 6 January 2000)
Yan Mou Keung, Ronald	(appointed on 2 February 2000)
Chan Fai Yue, Leo	(appointed on 7 October 2000)
Sit Fung Shuen, Victor	(resigned on 14 January 2000)
Pang Chun Sing, Joseph	(resigned on 18 May 2000)
Tse Wai Ki, Johnny	(resigned on 22 June 2000)
Lam Ping Cheung, Andrew	(resigned on 22 June 2000)
Zhu Junjing	(resigned on 22 June 2000)
Cheng Tsang Shun, Jackson	(resigned on 7 October 2000)

In accordance with the Company's Articles of Association, Mr. Leung Chi Keung, Mr. Chan Fai Yue, Leo and Madam Lo Wai Mei retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' SERVICE CONTRACT

None of the directors has a service contract with the Company which cannot be terminated by the Company within one year without payment of compensation.

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2000, none of the directors nor any of their associates had any interests in the issued share capital of the Company or any of its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under section 29 of the SDI Ordinance.

## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

As more fully explained in note 20(e) to the financial statements, the Company has adopted an Employee Share Option Scheme under which the executive directors, the officers and the employees of the Company or its subsidiaries may be granted options to subscribe for shares in the Company. No option was granted during the year.

Save as aforesaid, at no time during the year was the 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 and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

### DIRECTORS' INTERESTS IN CONTRACTS

Details of the directors' interests in contracts of significance in relation to the Group's business are set out in note 26 (a) and (b) to the financial statements.

Save as aforesaid, no other contracts of significance in relation to the Group's business to which the 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.

### MANAGEMENT CONTRACTS

Under an investment management agreement dated 12 September 1998 entered into between the Company and Sinox Fund Management Limited ("SINOX"), SINOX agreed to provide administrative and investment management services in relation to the investment of the Group's assets to the Group for 1 year with the rate of management fee at 1.5 per cent per annum on the net asset value of the Group. On 1 September 1999 and 1 September 2000, the agreement was further extended to 31 August 2000 and 31 August 2001 respectively on substantially the same terms and conditions.

Mr. Pang Chun Sing, Joseph, Mr. Tse Wai Ki, Johnny and Mr. Lam Sai Ho, Anthony were directors of SINOX but they resigned on 21 June 2000, 22 June 2000 and 11 September 2000 respectively. Madam Zhu Junjing was the General Manager of SINOX but she resigned on 22 June 2000.

Mr. Lam Sai Ho, Anthony has an indirect equity interest in SINOX.

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

## DIRECTORS' REPORT

### CONNECTED TRANSACTION

Details of the connected transaction are set out in note 26(a) to the financial statements. This connected transaction also constitutes a related party transaction.

### SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31 December 2000, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive. Details of these interests are summarised as follows:

Name of shareholder	Number of ordinary shares of HK\$0.10 each	
	Direct interest	Deemed interest
Ringo Resources Limited	256,005,000	—
Better Choice Investments Limited	—	256,005,000
Reo Developments Limited	—	256,005,000
Golden Resources Development International Limited	—	256,005,000

Ringo Resources Limited is a wholly-owned subsidiary of Better Choice Investments Limited which in turn is a wholly-owned subsidiary of Reo Developments Limited. Reo Developments Limited is a wholly-owned subsidiary of Golden Resources Development International Limited. Accordingly, Better Choice Investments Limited, Reo Developments Limited and Golden Resources Development International Limited are all deemed to be interested in 256,005,000 shares held by Ringo Resources Limited.

### PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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

## DIRECTORS' REPORT

### BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the directors of the Company are as follows:

#### Executive Directors

**Mr. Anthony Lam Sai Ho**, aged 34, Chairman of the Company. Mr. Lam graduated from the Sydney University in Australia, specialized in Economics and Psychology. In Australia, Mr. Lam had been extensively involved in the corporate finance and security fields. He was then appointed in several key management postings within the Golden Resources Group in Hong Kong and other Asian Countries before he was invited into the directorship of the Company in 2000.

**Mr. Leung Chi Keung**, aged 43, was appointed as an executive director in 2000. He has extensive experience in the field of company secretarial, intellectual property and administration.

**Madam Lo Wai Mei**, aged 35, was appointed as an executive director in 2000. She holds a Master degree in Business Administration and is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. She has extensive professional experience in finance, accounting and auditing fields.

#### Independent Non-Executive Directors

**Mr. Yan Mou Keung, Ronald**, aged 46, serves as the Deputy Managing Director of San Dino Limited which is a member of Righteous (Holdings) Limited — a publicly listed company in Hong Kong presently. He got more than 15 years of experience in running retail fashions. He is also the Hon Life President of Tsimshatsui Kai Fong Welfare Association and Vice President of HK Island/Northern District Scout Association, Hong Kong and Artiste Training Alumni Association.

**Mr. Chan Fai Yue, Leo**, aged 59, was appointed as an independent non-executive director of the Company in 2000. Mr. Chan has over 20 years of invaluable experience in Hong Kong stock market and manufacturing. During his early years in Japan, he exposed in trading and finance fields. Mr. Chan is a director of a paint manufacturing company in Bangkok.

#### AUDIT COMMITTEE

Under the requirements of the Listing Rules, an audit committee was formed in June 1999 to review and supervise the Company's financial reporting process and internal controls. The Committee comprises two independent non-executive directors namely Mr. Yan Mou Keung, Ronald and Mr. Chan Fai Yue, Leo. During the year, one meeting was held.

## D I R E C T O R S ' R E P O R T

### CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

### AUDITORS

Price Waterhouse acted as auditors of the Company for the years ended 31 December 1997 and 1998. PricewaterhouseCoopers replaced Price Waterhouse as auditors of the Company during the financial year ended 31 December 1999 following their merger with Coopers & Lybrand.

On 28 August 2000, PricewaterhouseCoopers tendered their resignation as the Company's auditors. Subsequently, Grant Thornton was appointed as auditors of the Company by the Board on the same date to fill the causal vacancy.

Grant Thornton retire and, being eligible, offer themselves for re-appointment.

By order of the Board

**CHEUNG Wing Yui**

*Secretary*

Hong Kong, 18 April 2001