

## REPORT OF THE DIRECTORS

The directors herein 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. Further details of the principal activities of the principal subsidiaries are set out in note 32 to the financial statements. The directors resolved to discontinue certain activities during the year, as further detailed in note 7 to the financial statements.

### Segmented information

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations for the year ended 31 December 2000 are set out in note 4 to the financial statements.

### Results

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 28 to 69.

### Summary of financial information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

	<b>2000</b>	1999	1998	1997	1996
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u><b>4,739</b></u>	<u>(65,616)</u>	<u>(196,723)</u>	<u>(30,468)</u>	<u>26,580</u>
TOTAL ASSETS	<b>574,845</b>	651,752	846,611	1,292,068	1,326,027
TOTAL LIABILITIES	<b>(113,690)</b>	(218,172)	(351,969)	(592,880)	(585,205)
MINORITY INTERESTS	<u><b>(90,371)</b></u>	<u>(103,330)</u>	<u>(107,148)</u>	<u>(117,381)</u>	<u>(120,276)</u>
NET ASSETS	<u><b>370,784</b></u>	<u>330,250</u>	<u>387,494</u>	<u>581,807</u>	<u>620,546</u>

### Fixed assets and investment properties

Further details of movements in the fixed assets of the Company and the Group and the investment properties of the Group during the year are set out in note 13 to the financial statements.

Particulars of the Group's investment properties as at 31 December 2000 are summarised on page 70 of this annual report.

### Subsidiaries, jointly controlled entities and associates

Particulars of the Company's principal subsidiaries, jointly controlled entities and associates as at 31 December 2000 are set out in notes 32, 33 and 34 to the financial statements, respectively.

### Bank loans, overdrafts and other borrowings

Further details of the bank loans, overdrafts and other borrowings of the Company and the Group as at 31 December 2000 are set out in notes 25 to 27 to the financial statements.

### Share capital and share options

During the year, there was no movement in the Company's share capital and share options.

### Reserves

Further details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

### Distributable reserves

As at 31 December 2000, the Company did not have any reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

### Directors

The directors of the Company during the year were:

#### **Executive directors:**

Su Genqiang	(appointed on 10 March 2000)
Tong Yihui	
Leung Shun Sang, Tony	
Li Shaofeng	(appointed on 10 March 2000)
Xu Xianghua	(appointed on 7 September 2000)
Tang Kwok Kau	
Cao Qirui	(retired on 27 June 2000)
Chang Sin Tuan	(resigned on 7 September 2000)
Ye Ruiling	(resigned on 10 March 2000)

#### **Independent non-executive directors:**

Yip Kin Man, Raymond  
Lai Kam Man

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with articles 91, 92, 93 and 97 of the Company's articles of association. Messrs. Su Genqiang, Li Shaofeng, Leung Shun Sang, Tony, Tong Yihui, Yip Kin Man, Raymond and Ms. Xu Xianghua, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

#### **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 other than statutory compensation.

**Directors' rights to acquire shares**

Apart from the Company's share option scheme as further detailed in note 29 to the financial statements, 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 or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

No share options were issued under the Company's share option scheme during the year, nor were any such share options outstanding as at 31 December 2000.

**Directors' and chief executives' interests in the share capital of the Company and its associated corporations**

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

- (a) Interests in the share capital of Shougang Concord International Enterprises Company Limited ("Shougang International"):

Name of director	Nature of Interest	Number of shares
Lai Kam Man	Personal	250,000

- (b) Rights to acquire shares in Shougang International:

Name of director	Options to subscribe for shares of Shougang International		
	Number of shares over which options were granted	Exercise period	Exercise price per share (HK\$)
Leung Shun Sang, Tony	2,600,000	10/7/1997 to 10/4/2001	1.355

The outstanding options held by Mr. Leung Shun Sang, Tony lapsed on 10 April 2001.

### Directors' and chief executives' interests in the share capital of the Company and its associated corporations *(continued)*

Save as disclosed above, none of the directors, chief executives or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

#### Directors' interests in contracts

No director had a material interest in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

#### Emoluments of directors and the five highest paid individuals

Further details of directors' emoluments and of the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements, respectively.

#### Substantial shareholders

As at 31 December 2000, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following persons were, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Notes	Number of shares held
Shougang Holding (Hong Kong) Limited ("Shougang HK")	(1)	279,797,400
Shougang International	(2)	279,797,400
Fair Union Holdings Limited ("Fair Union")		279,797,400
Richson Limited ("Richson")	(3)	144,984,400

Notes:

- (1) Shougang HK was deemed to be interested in those shares by virtue of its controlling interest in Shougang International.
- (2) Shougang International was deemed to be interested in those shares by virtue of its 100% shareholding in Fair Union.
- (3) Richson is a wholly owned subsidiary of Fair Union and the interest in the 144,984,400 shares held is included in the interest in 279,797,400 shares reported by Fair Union.

### Substantial shareholders *(continued)*

Save as disclosed above, no other person had registered an interest in the share capital of the Company under Section 16(1) of the SDI Ordinance.

### Controlling shareholders' interests in contracts

Further details of the contracts of significance between the Group and the controlling shareholder of Shougang International and with Shougang International itself are set out in note 37 to the financial statements.

### Purchase, redemption or sale of listed securities

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

### Connected transactions

The Group has the following continuing connected transactions disclosed by way of inclusion in the annual report in accordance with Chapter 14, paragraph 14.25(2) of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

- (a) At the balance sheet date, advances made by the Group to Online Investments Limited ("OIL"), a 71.8% owned subsidiary, were outstanding in the aggregate amount of HK\$72,805,000. The advances were used by OIL to finance its capital investment projects. The advances are unsecured, interest-free and have no fixed repayment terms.
- (b) The Company made advances to Everwinner Investments Limited, a 71.8% indirect owned subsidiary, to finance its working capital. At the balance sheet date, the outstanding balance, amounting to HK\$52,952,000, was unsecured, bears interest at LIBOR plus 3% per annum and is repayable after more than one year.
- (c) The Group made advances to Hing Cheong Metals (China & Hong Kong) Limited ("Hing Cheong"), a 91% owned subsidiary, to finance its capital investments and working capital. At the balance sheet date, the outstanding balance, amounting to HK\$18,107,000, was unsecured, interest-free and had no fixed repayment terms except for an amount of HK\$4,615,000 which bears interest at Hong Kong Dollar prime rate.

### Connected transactions (continued)

- (d) The Company executed, in the normal course of business, certain guarantees for banking facilities granted to an indirect non wholly owned subsidiary for its operations. These guarantees are continuing in nature and will lapse on the expiration between one to three months after formal notifications to the banks. At the balance sheet date, corporate guarantees totalling HK\$69,400,000 were executed for banking facilities granted to Hing Cheong, an indirect 91% owned subsidiary of the Company.
- (e) On 31 March 2000, Everlite Century Limited (“Everlite”), an indirect wholly owned subsidiary of the Company, entered into an agreement (the “Shenjia Agreement”) with Shanghai Ergang Co., Ltd. (“Ergang”), a substantial shareholder of Shanghai Shenjia Metal Products Co., Ltd. (“Shanghai Shenjia”) which was an indirect 51% owned jointly controlled entity of the Company, for the disposal of a 26% equity interest in Shanghai Shenjia held by Everlite for a consideration of RMB65,785,000 (approximately HK\$61,770,000) (the “Shenjia Disposal”). The consideration was fully settled by cash during the year.

Further details were set out in the Company’s announcement dated 31 March 2000 and the Company’s circular to shareholders dated 19 April 2000.

The Shenjia Disposal was approved by the relevant governmental authorities on 24 April 2000, and the shareholders of the Company at the extraordinary general meeting held on 8 May 2000, and was completed on 22 September 2000.

### Related party transactions

During the year, the Group had certain related party transactions as further detailed in note 37 to the financial statements. In the opinion of the directors, each of the transactions with Shougang International and its subsidiaries (“Shougang International Group”) was:

- (i) conducted in the ordinary and usual course of the Group’s business;
- (ii) conducted in accordance with the terms of agreements governing such transactions; and
- (iii) under the threshold of HK\$1,000,000 and not subject to disclosure in the annual report under the Listing Rules.

### Related party transactions *(continued)*

In relation to the transactions with other related parties, they did not constitute connected transactions since these parties were not connected persons to the Company as defined under the Listing Rules.

### Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 56% (1999: Less than 30%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 24% (1999: 10%).

Purchases from the Group's five largest suppliers accounted for approximately 39% (1999: 31%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 11% (1999: 7%).

As far as the directors are aware, neither the directors, their associates, nor those shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

### Audit committee

The Audit Committee (the "Committee") has met twice during the year under review. During these meetings, the Committee had discussions on the operating performance and the effectiveness of the system of internal control of the Group. The Committee reviewed the interim and the final results of the Group in accordance with the terms of reference set up in 1998 before their submission to the board of directors for approval.

### Code of best practice

In the opinion of the board of 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 in relation to guideline 7, where the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's articles of association.



**Auditors**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Su Genqiang**

*Chairman*

Hong Kong

19 April 2001