

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

### Principal Activities

The Company is an investment holding company. Its current subsidiaries are engaged in the businesses of industrial products agency, distribution and installation of building supplies, electrical and mechanical products and property holding. Details of the principal subsidiaries and their activities are set out in note 14 to the financial statements.

In February 2000, the Group swapped a total of 470,272 shares in OneAsia.com (Holdings) Limited ("OneAsia") for 4,755,560 shares of tom.com limited ("Tom.com") whose shares were listed on The Stock Exchange of Hong Kong Limited in March 2000. Following the share swap, the Group's interest in OneAsia was reduced from 22.2% to 15.33%. The Group has disposed of its entire interest in Tom.com during the year.

In April 2000, the Group acquired 82.8 million shares of Shun Cheong Holdings Limited ("Shun Cheong") (approximately 21.4% of the then entire issued capital) and 35.52 million shares of EC-Founder (Holdings) Company Limited ("EC-Founder") (formerly known as Management Investment & Technology (Holdings) Limited) (approximately 20% of the then entire issued capital). Shun Cheong and EC-Founder are both listed on The Stock Exchange of Hong Kong Limited. Shun Cheong is engaged in a multi-discipline of building services and broadband connectivity businesses while EC-Founder is engaged in the design, manufacture and marketing of consumer and industrial electronic products and internet advertising. Further details of these transactions are set out in note 31 to the financial statements.

The Group's interest in Shun Cheong was increased to 25.05% at 31 December 2000. Following the share placements in EC-Founder, the Group's interest in EC-Founder was diluted to 4.33%.

In October 2000, the Group acquired a wholly-owned subsidiary, namely Chinney Alliance Engineering Limited (formerly known as Swire Engineering Limited), which is engaged in the business of distribution and installation of building supplies, electrical and mechanical products in Hong Kong.

### Results and Dividends

The Group's results for the year ended 31 December 2000 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 23 to 64.

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

# Report of the Directors

## Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out below.

### Results

	Year ended 31 December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
TURNOVER	<u>614,189</u>	<u>812,603</u>	<u>1,505,340</u>	<u>2,045,374</u>	<u>2,428,603</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>(22,552)</u>	<u>(236,321)</u>	<u>(300,624)</u>	<u>(367,817)</u>	<u>86,873</u>

### Assets and liabilities

	As at 31 December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
TOTAL ASSETS	<u>590,347</u>	<u>604,655</u>	<u>602,195</u>	<u>2,241,232</u>	<u>2,181,287</u>
TOTAL LIABILITIES	<u>292,291</u>	<u>257,053</u>	<u>549,966</u>	<u>1,912,561</u>	<u>1,544,274</u>
MINORITY INTERESTS	<u>1,503</u>	<u>1,446</u>	<u>861</u>	<u>2,458</u>	<u>41,967</u>
NET ASSETS	<u>296,553</u>	<u>346,156</u>	<u>51,368</u>	<u>326,213</u>	<u>595,046</u>

The tables set out above summarise the results and the assets and liabilities of the Group, as extracted from the audited financial statements of the Group and reclassified as appropriate.

## Fixed Assets

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

## Subsidiaries and Associates

Particulars of the principal subsidiaries of the Company and the associates of the Group as at 31 December 2000 are set out in notes 14 and 15 to the financial statements, respectively.

## Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group are set out in notes 25 and 26 to the financial statements.

No interest was capitalised by the Group during the year.

## Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 28 to the financial statements.

The Company has a share option scheme under which the directors may grant options to employees and directors of the Company or any of its subsidiaries to subscribe for shares in the Company. Details of the share options granted under the scheme are set out in note 28 to the financial statements.

## 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.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

# Report of the Directors

## Directors

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

### Executive directors

James Sai-Wing Wong (*Chairman*)

Barry John Buttifant (appointed from independent non-executive director to Managing Director on 1 July 2000 and resigned on 7 April 2001)

Stephen Sek-Kee Yu

Frank Kwok-Kit Chu

Peter Chi-Chung Luk (appointed on 1 January 2001)

### Non-executive directors

Herman Man-Hei Fung

Kenneth Kin-Hing Lam

Robert Ti

Koc-Tie Chan

James Chu-Hong Wang (appointed on 20 January 2000)

### Independent non-executive directors

Aubrey Kwok-Sing Li (appointed on 18 May 2000)

William Gage McAfee (appointed on 14 August 2000)

Wilfred Ying-Wai Wong (resigned on 1 May 2000)

In accordance with the Company's bye-law 86, William Gage McAfee and Peter Chi-Chung Luk who were appointed subsequent to the last annual general meeting, will retire at the forthcoming annual general meeting and, being eligible offer themselves for re-election. In accordance with the Company's bye-law 87, Robert Ti and Koc-Tie Chan will retire at the forthcoming annual general meeting. Robert Ti, being eligible, offers himself for re-election; Koc-Tie Chan will not seek for re-election. All other remaining directors continue in office.

The terms of appointment for the independent non-executive directors include retirement by rotation in accordance with the Company's bye-laws. Directors' fees paid to the independent non-executive directors during the year totalled HK\$165,411 (1999: HK\$50,000) and they received no other emoluments from the Company or any of its subsidiaries in their capacity as independent non-executive directors during their period of services.

## Profile of Directors

Biographical details of the directors of the Company are set out on pages 9 to 11 of this report.

### Emoluments of the Directors and the Five Highest Paid Individuals

Details of the emoluments of the directors and the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements, respectively.

### Directors' Service Contracts

No director has service contract with any member of the Group which is not determinable within one year without payment other than statutory compensation.

### Retirement Benefits

The Group operates defined contribution mandatory provident fund schemes (the "Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate. The Schemes became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Schemes. The assets of the Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the Schemes except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the Schemes.

Prior to the Schemes becoming effective, the Group operated defined contribution provident fund schemes (the "Provident Funds") under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate. Provident Funds operated in a similar way to the Schemes, except that when an employee left the Provident Funds prior to his/her interest in the Group's employer contributions being vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. Upon implementation of the Schemes, the Provident Funds have been frozen and no further contributions have been made by the Group or the eligible employees after that date. Those eligible employees are entitled to receive the funds in accordance with the rules of the Provident Funds when they leave the Group.

The net pension costs charged to the profit and loss account amounted to HK\$1,116,769 (1999: HK\$420,420 after deduction of forfeited employer contributions of HK\$734,302) for the year. There were no forfeited employer contributions during the year nor unutilized forfeitures at the balance sheet date.

## Directors' Interests in the Share Capital and Share Options of the Company

At 31 December 2000, the directors of the Company and their associates held the following interests, which were beneficial unless otherwise stated, in the issued share capital and share options of the Company or 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"):

Name of director	Notes	Nature of interest	Number of ordinary shares beneficially held	Number of options beneficially held
James Sai-Wing Wong	1	Corporate	797,447,982	–
Barry John Buttifant		Personal	24,500,000	30,000,000
Stephen Sek-Kee Yu		Personal	–	14,250,000
Frank Kwok-Kit Chu		Personal	1,206,000	9,200,000
	2	Family	1,196,000	–
Herman Man-Hei Fung		Personal	–	8,000,000
Kenneth Kin-Hing Lam		Personal	276	10,400,000
Robert Ti		Personal	–	1,950,000
Koc-Tie Chan		Personal	–	4,500,000

Notes:

- (1) These shares are held by Multi-Investment Group Limited, a company in which James Sai-Wing Wong is a director and has a beneficial interest.
- (2) These shares are held by Yu-Shen Yu, spouse of Frank Kwok-Kit Chu.

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

## Directors' Rights to Acquire Shares

Apart from the share option scheme, 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 associates 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

Except as disclosed in note 31 to the financial statements, none of the directors had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

### Substantial Shareholders

Shown below are the names of all parties which were directly or indirectly interested in 10% or more of the issued share capital of the Company, together with the number of shares in which they were and/or were deemed to be interested as at 31 December 2000, which were required to be recorded in the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares
James Sai-Wing Wong	797,447,982
Madeline May-Lung Wong	797,447,982
Lucky Year Finance Limited	797,447,982
Chinney Holdings Limited	797,447,982
Chinney Investments, Limited	797,447,982
Newsworthy Resources Limited	797,447,982
Multi-Investment Group Limited	797,447,982
DMT Corporation S.A.	325,800,000
Dharmala International Limited ("DIL")	325,800,000
Hanvit Leasing and Finance Company, Limited	319,800,000
CBK Leasing & Finance (HK) Limited	319,800,000
Credit Suisse First Boston (Cyprus) Limited	319,800,000
Krung Thai Bank Public Company Limited	319,800,000
P.T. Bank Mandiri (Persero)	319,800,000

For the avoidance of double counting, it should be noted that in accordance with Sections 8(2), (3) and (4) of the SDI Ordinance:

- James Sai-Wing Wong, Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Limited and Newsworthy Resources Limited are deemed to be interested in the same parcel of shares of 797,447,982 shares held by Multi-Investment Group Limited by virtue of their respective interest in that company;
- DMT Corporation S.A. is deemed to be interested in the 325,800,000 shares held by DIL by virtue of its interest in that company. Out of the 325,800,000 shares beneficially owned by DIL, 319,800,000 shares are registered in name of an agent bank on behalf of six banks that comprise a syndicate of lenders to DIL (the "Syndicate"); and

### Substantial Shareholders *(Continued)*

- The Syndicate's interest in these 319,800,000 shares was acquired as a result of security given by DIL over such shares in respect of a loan advanced to DIL by the Syndicate. CBK Leasing & Finance (HK) Limited, Credit Suisse First Boston (Cyprus) Limited, Krung Thai Bank Public Company Limited and P.T. Bank Mandiri (Persero) are present members of the Syndicate and the other members of the Syndicate are not required to make any disclosure in respect of these shares in accordance with Section 14(4) of the SDI Ordinance, which provides an exemption from such disclosure for authorised financial institutions. Hanvit Leasing and Finance Company, Limited is deemed to be interested in the 319,800,000 shares held by CBK Leasing & Finance (HK) Limited by virtue of its interest in that company.

### Purchase, Sale or Redemption of the Company's Listed Shares

During the year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

### Distributable Reserves

Under the laws of Bermuda, the Company's share premium account in the amount of HK\$554,756,000, may be distributed in the form of fully paid bonus shares. Other than the share premium account, the Company did not have any reserves available for distribution to shareholders as at 31 December 2000.

### Liquidity and Financial Resources

Total interest bearing debts amounted to HK\$167 million as at 31 December 2000. Approximately 70% of the debts are due within one year. Majority of the debts are denominated in Hong Kong Dollars and bear interest at floating rate.

The Group had total cash on hand of HK\$140 million and undrawn banking facilities of HK\$135 million as at 31 December 2000. The current assets were 1.8 times the current liabilities at year end. All these translated into solid financial position of the Group at year end.

The Group's net interest bearing debts was HK\$27 million, after deducting the cash on hand of HK\$140 million. Measured against the shareholders' funds of HK\$297 million at year end, the gearing ratio of the Group was 9%.

### Use of Placement Proceeds

In 1999, the Company enlarged its equity capital by HK\$294 million through share placements. Up to 31 December 2000, the Company has utilised HK\$38 million to reduce bank borrowings and increase general working capital of the Group, and has invested HK\$150 million in companies engaged in Internet and other technology businesses. The remaining proceeds of HK\$106 million were retained as cash and bank balances in the accounts. In view of the poor market sentiment for technological oriented business at present, the Company has decided to alter the use of the remaining proceeds from further investments in technology and telecommunication related business for the time being. The cash reserve will be used as general working capital of the Group and to repay long term debts when due.

### Pledge of Assets

As at 31 December 2000, the secured debts were secured by legal charges over certain Group's properties, cash deposits, mortgage over the issued shares of an associate and an unlisted investment together with the assignment and/or subordination of shareholders' loans.

### Employees and Remuneration Policy

The total number of employees of the Group is approximately 160 up to the date of this report. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, other employee benefits include medical cover, provident fund, housing allowances and bonuses (awarded on a discretionary basis) as well as a share option scheme. Total staff costs amounted to HK\$33 million for the year ended 31 December 2000.

### Major Customers and Suppliers

During the year under review, the aggregate sales to the five largest customers accounted for less than 30% of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 16.8% and 41%, respectively, of the total purchases for the year.

No directors, their associates or any shareholders of the Company who, to the knowledge of the directors, owned more than 5% of the Company's issued share capital had any beneficial interests in the suppliers referred to above.

# Report of the Directors

## Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year, except that non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation in accordance with the Company’s bye-laws.

## Audit Committee

The Company has established an audit committee comprising Herman Man-Hei Fung, a non-executive director, Aubrey Kwok-Sing Li and William Gage McAfee, both independent non-executive directors in compliance with paragraph 14 of the Code.

## 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

**Peter Chi-Chung Luk**

*Director*

Hong Kong, 19 April 2001