

## REPORT OF THE DIRECTORS

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The directors submit their report together with the audited accounts for the year ended 31st December 2000.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies, associated companies and jointly controlled entities are shown in notes 36, 37 and 38 to the accounts, respectively.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December 2000 are set out in the consolidated profit and loss account on page 45.

The directors have declared an interim dividend of HK3.5 cents per share, totalling HK\$21,061,000, which was paid on 7th November 2000.

The directors recommend the payment of a final dividend of HK2.5 cents per share, totalling HK\$15,044,000.

### **FINANCIAL SUMMARY**

A summary of the proforma results of the Group for the two financial years ended 31st December 1997 and the consolidated results of the Group for the three years ended 31st December 2000 are shown on page 83.

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the accounts.

### **DONATIONS**

During the year, the Group made charitable and other donations of HK\$703,000.

### **FIXED ASSETS**

Details of the movements in fixed assets of the Group and the Company are shown in note 12 to the accounts.

## DIRECTORS

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

### Executive directors:

Wang Guang Hao	
Zhou Si Chun	(appointed on 17th April 2000)
Yu Ru Min	
Chen Zi He	
Chen Cui Wan	
He Xiu Heng	
Yang Li Heng	
Sun Zeng Yin	(appointed on 19th May 2000)
Pang Jin Hua	(appointed on 25th September 2000)
Deng Wei Sheng	(resigned on 25th September 2000)
Wang Jun Ting	(resigned on 25th September 2000)
Wang Zhou Xi	(resigned on 16th May 2000)
Dong Ming	(resigned on 1st April 2000)

### Non-executive directors:

Ye Di Sheng	
Ch'ien Kuo Fung, Raymond	(resigned on 6th July 2000)
Kwong Che Keung, Gordon	
Cheung Wing Yui	
Lau Wai Kit	

In accordance with Articles 92 and 101 of the Company's Articles of Association, Pang Jin Hua, Kwong Che Keung, Gordon, Cheung Wing Yui and Lau Wai Kit retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Messrs Wang Guang Hao, Yu Ru Min, Chen Zi He, Wang Jun Ting, Chen Cui Wan, He Xiu Heng, Yang Li Heng, Wang Zhou Xi and Deng Wei Sheng have entered into service agreements with the Company for a period of three years commencing 1st December 1997 and will continue thereafter until terminated by either party giving the other not less than six months' prior written notice.

The service agreements of Wang Jun Ting, Deng Wei Sheng and Wang Zhou Xi terminated following their resignation as directors to the Company.

The terms of office of the non-executive directors are subject to retirement as required by the Company's Articles of Association.

Save for the above, none of the directors of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company 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.

The Company has a share option scheme (the "Scheme") approved in an extraordinary general meeting on 22nd November 1997 under which the directors may, at their discretion, invite any employees or executive directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme.

The details of share options granted to the directors and outstanding at 31st December 2000 are as follows:

Directors	Number of share options		
	1st lot (note 1)	2nd lot (note 2)	Outstanding as at 31.12.2000
Mr Wang Guang Hao	3,500,000	5,004,000	8,504,000
Mr Yu Ru Min	2,000,000	–	2,000,000
Mr Chen Zi He	2,000,000	4,332,000	6,332,000
Mr Wang Jun Ting	2,000,000	4,332,000	– (note 3)
Ms Chen Cui Wan	2,000,000	4,332,000	6,332,000
Mr He Xiu Heng	2,000,000	–	2,000,000
Mr Yang Li Heng	2,000,000	–	2,000,000
Mr Wang Zhou Xi	2,000,000	–	– (note 3)
Mr Deng Wei Sheng	2,000,000	–	– (note 3)
Mr Dong Ming	2,000,000	1,000,000	– (note 3)

Notes:

- (1) These share options were granted to the directors on 17th April 1998, and are exercisable at a price of HK\$6.136 per share during the period from 10th June 1998 to 21st November 2007.
- (2) These share options were granted to the directors on 13th April 1999, and are exercisable at a price of HK\$3.34 per share during the period from 18th September 1999 to 17th March 2004.
- (3) The share options of these directors lapsed following their resignation as directors to the Company during the year.

Apart from the foregoing, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors (including their spouses or children under 18 years of age) of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

As at 31st December 2000, none of the directors and their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

## SUBSTANTIAL SHAREHOLDERS

As at 31st December 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

Name of shareholders	Number of shares
Tsinlien Group Company Limited (Note)	385,481,990
Tianjin Investment Holdings Limited	383,459,990
Tsinlien Property Services Limited	2,022,000

Note: Tianjin Investment Holdings Limited and Tsinlien Property Services Limited are wholly owned subsidiaries of Tsinlien Group Company Limited. In accordance with the SDI Ordinance, the interests of Tianjin Investment Holdings Limited and Tsinlien Property Services Limited are deemed to be, and have therefore been included in, the interests of Tsinlien Group Company Limited.

## CONNECTED TRANSACTIONS

During the year, the Group entered into the following transactions in the ordinary and usual course of the Group's activities:

### (a) Transactions with Tsinlien Group Company Limited ("Tsinlien")

- (i) The Group had a service provision agreement with Tsinlien, the ultimate holding company of the Company, whereby Tsinlien provided to the Group utilities, staff benefits, electronic data processing services and support and office facilities, such as telephones and telephone systems and other services, used by the Group in its office located at 26th–28th, 30th, 36th and 38th floor, Tianjin Building, 167 Connaught Road West, Hong Kong at a monthly fee of HK\$97,000 subject to adjustment annually. The provision of services shall continue until terminated by either Tsinlien or the Company by giving six months' written notice to the other party provided other than in a situation of material breach by the Company, Tsinlien shall not give such notice prior to the expiration of three years commencing from the date of the agreement.

A total fee of HK\$1,164,000 was paid to Tsinlien in respect of the year ended 31st December 2000 (1999: HK\$1,164,000).

- (ii) The Group had various tenancy agreements with Tsinlien to lease 14 residential units for a fixed term of three years from 1st November 1997 to 31st October 2000 at an aggregate monthly rental of HK\$151,000 inclusive of management fee. The tenancy agreements were renewed on 15th February 2001 for a further term of three years from 1st November 2000 to 31st October 2003 at the same monthly rental.

An aggregate rental of HK\$1,811,000 was paid to Tsinlien in respect of the year ended 31st December 2000 (1999: HK\$1,811,000).

**CONNECTED TRANSACTIONS (Cont'd)****(a) Transactions with Tsinlien Group Company Limited (“Tsinlien”) (Cont’d)**

- (iii) The Group entered into tenancy agreements with Tsinlien Realty Limited (“Tsinlien Realty”), a wholly owned subsidiary of Tsinlien, to lease 10 car parks and office premises of the Company located at 26th–28th, 30th, 36th and 38th floor, Tianjin Building, 167 Connaught Road West, Hong Kong for the period from 1st August 1999 to 31st July 2000 at a monthly rental of HK\$360,000. The agreement was renewed on 24th November 2000 for a period of one year from 1st August 2000 to 31st July 2001 at a monthly rental of HK\$394,000.

A total rental of HK\$4,490,000 was paid to Tsinlien Realty in respect of the year ended 31st December 2000 (1999: HK\$4,320,000).

- (iv) Tsinlien Group (Tianjin) Assets Management Company Limited, a wholly owned subsidiary of Tsinlien, has provided guarantee in respect of bank loan of RMB20,000,000 (approximately HK\$18,857,000) to one of the Group’s subsidiary. The loan has been fully drawn down and outstanding at 31st December 2000 (1999: RMB20,000,000).

- (v) On 30th July 1999, the Group entered into an agreement with Tsinlien Investment Limited (“Tsinlien Investment”), a wholly owned subsidiary of Tsinlien, to purchase 40% of the entire issued share capital of Wah Sang Gas Investment Group Limited (“Wah Sang”), a company incorporated in Hong Kong with limited liability for a consideration of HK\$82,000,000. Wah Sang was held as to 40% by Tsinlien Investment and 60% by independent third parties not connected with the Group. It is principally engaged in the provision of liquefied petroleum gas and mix gas fuel in the PRC. Pursuant to the agreement, Tsinlien has represented, warranted and undertaken that the audited consolidated profit after taxation and minority interests but before any extraordinary items of Wah Sang which is attributable to the Group for the period of five months ended 31st December 1999 and year ended 31st December 2000 will not be less than HK\$10,000,000 and HK\$25,000,000 respectively. If there is any shortfall, Tsinlien will compensate the Group an amount equal to the shortfall. Tsinlien has also represented, warranted and undertaken that the audited consolidated net tangible assets of Wah Sang as at 30th June 1999 shall not be less than HK\$30,000,000. If there is any shortfall, Tsinlien Investment will compensate the Group an amount equal to 40% of the shortfall. No compensation was paid in 1999 by Tsinlien as the guarantees were met.

In 2000, Wah Sang underwent a group restructure whereby Wah Sang Gas Holdings Limited (“Wah Sang Holdings”) became the holding company of Wah Sang. Wah Sang Holdings was subsequently listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Following the listing, the Group’s equity interest in Wah Sang was diluted from 40% to 30.14%, and accordingly the consolidated profit after taxation and minority interests but before any extraordinary items of Wah Sang which is attributable to the Group for the year ended 31st December 2000 was HK\$19,700,000. No compensation was paid in 2000 by Tsinlien as the guarantee was met.

## CONNECTED TRANSACTIONS (Cont'd)

### (a) Transactions with Tsinlien Group Company Limited (“Tsinlien”) (Cont'd)

- (vi) On 25th May 2000, the Company entered into a conditional “Asset Swap Agreement” (“Agreement”) with Tsinlien to dispose of the 100% equity interest in a wholly owned subsidiary, Tianjin Dongya Worsted Mill Group Company Limited (“Dongya”). Tsinlien in return would transfer two pieces of land located in Tianjin Hi-Technology Industry Park to the Company. The value of the land transferred to the Company was approximately RMB88,144,000 (approximately HK\$83,947,000).

The Group recorded a gain on the disposal of Dongya of HK\$7,942,000.

### (b) Transactions with Tianjin Port Authority (the “Port Authority”)

- (i) The Group has a lease agreement with the Port Authority to lease a certain parcel of land (approximately 731,643 square metres) upon which one of the Group's subsidiaries' cargo handling terminal and its related facilities are erected for the period from 29th October 1997 to 28th October 2017 at a rental of RMB3,658,000 per annum for the whole term.

A rental of RMB3,658,000 (approximately HK\$3,449,000) was paid to the Port Authority in respect of the year ended 31st December 2000 (1999: RMB3,658,000).

- (ii) The Group has a lease agreement with the Port Authority to lease certain berths with total quay length of 1,775 metres, railway of 15,209.5 metres long and storage space with total floor area of 224,754 square metres for the period from 29th October 1997 to 28th October 2017. The rental was RMB2,096,000 for the year 1997 and from the year of 1998, the annual rental is RMB11,956,000 subject to an increment of 5% every three years until the lease expires.

A rental of RMB11,956,000 (approximately HK\$11,273,000) was paid to the Port Authority in respect of the year ended 31st December 2000 (1999: RMB11,956,000).

- (iii) The Group has a lease agreement with the Port Authority to lease a parcel of land (approximately 633,365 square metres) upon which one of the Group's subsidiaries' cargo handling terminal and its related facilities are erected for the period from 29th October 1997 to 28th October 2017 at a rental of RMB3,167,000 per annum for the whole term.

A rental of RMB3,167,000 (approximately HK\$2,986,000) was paid to the Port Authority in respect of the year ended 31st December 2000 (1999: RMB3,167,000).

- (iv) The Group has a lease agreement with the Port Authority to lease certain berths with total quay length of 1,292 metres and railway of 905 metres long for the period from 29th October 1997 to 28th October 2017. The rental was RMB1,314,000 for the year 1997 and from the year of 1998, the rental is RMB7,496,000 per year subject to an increment of 5% every three years until the lease expires.

A rental of RMB7,496,000 (approximately HK\$7,068,000) was paid to the Port Authority in respect of the year ended 31st December 2000 (1999: RMB7,496,000).

## CONNECTED TRANSACTIONS (Cont'd)

### (b) Transactions with Tianjin Port Authority (the "Port Authority") (Cont'd)

- (v) The Group has a lease agreement with the Port Authority to lease certain equipment for loading and unloading for the period from 29th October 1997 to 28th October 2017. The rental was RMB1,361,000 for the year 1997 and from the year of 1998, the rental is RMB7,760,000 per year subject to an increment of 5% every three years until the lease expires. Pursuant to an approval by the Port Authority dated 15th September 2000, the rental was reduced to RMB570,000 to July 2000 and RMB516,000 from August 2000 onwards.

A rental of RMB6,571,000 (approximately HK\$6,196,000) was paid to the Port Authority in respect of the year ended 31st December 2000 (1999: RMB7,760,000).

- (vi) The Group has a business allocation agreement with the Port Authority whereby the Port Authority has agreed that if necessary they will use their best endeavours to allocate 60% of the container handling business of the Port of Tianjin (the "Port") to the Group for the period up to 31st December 1997, 55% for the year ended 31st December 1998 and not less than 50% after 31st December 1998 subject to certain conditions.

As a result of the interruptions to normal operations of certain container berths currently subject to redevelopment works, the Group has dealt with 47.86% (1999: 61.91%) of the container handling business of the Port in respect of the year ended 31st December 2000, which percentage represents the maximum handling capacity of the Group during the year.

- (vii) The Group has another business allocation agreement with the Port Authority whereby the Port Authority would allocate to the Group the handling of the following cargo types and amounts for a period of 10 years commencing from 10th December 1997:

- 100% of all imported unpackaged bulk grains;
- at least 40% of all export of coke until 31st December 2000;
- 100% of all imported solidified sulphur;
- 100% of all imported unpackaged bulk sugar;
- 100% of all imported chromium;
- 100% of all imported unpackaged bulk fertilisers not handled by entities controlled by the Port Authority; and
- such other cargoes so as to fulfill the obligation of the Port Authority mentioned in (b)(viii) below.

All the above allocation has been fulfilled for the year ended 31st December 2000.

## CONNECTED TRANSACTIONS (Cont'd)

### (b) Transactions with Tianjin Port Authority (the "Port Authority") (Cont'd)

In any event the total annual volume, in terms of tonnage, of all the cargoes referred above shall not be less than 20% of the total annual throughput of the non-containerised cargoes in the Port for that year.

The Group has dealt with 20.89% (1999: 30.57%) of the non-containerised cargoes handling business of the Port in respect of the year ended 31st December 2000.

- (viii) In relation to the business allocation agreement in (b)(vii) above, the Port Authority warranted to the Company that for a period of 10 years commencing from 10th December 1997, the growth rate of annual throughput of a subsidiary of the Group should not be lower than the average growth rate of the total non-containerised cargo throughput of the Port for that year. In calculating the said average growth rate, throughput in respect of bulk coal, liquefied petroleum and liquefied chemical products is not taken into account.
- (ix) The Group has an agreement with the Port Authority whereby the Group was granted the right of first refusal to develop and operate, or to invest in any new stevedoring operations in the Port (except the Coke Terminal) and to participate in any further capital investment of an amount exceeding US\$5,000,000 in any of the entities controlled by the Port Authority in the Port subject to all relevant provisions of the Rules Governing the Listing of Securities ("the Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
- (x) The Group has two agreements with the Port Authority whereby two subsidiaries of the Group would collect from their customers on behalf of the Port Authority port administration fees stipulated by the Central Government and receive the provision of water, electricity, telecommunications, maintenance, sewage, rail, dredging and other miscellaneous services.

Total port administration fee of RMB36,858,000 (approximately HK\$34,752,000) and aggregate service fee of RMB7,234,000 (approximately HK\$6,820,000) were paid to the Port Authority in respect of the year ended 31st December 2000 (1999: RMB28,240,000 and RMB5,219,000 respectively).

- (xi) The Group's two subsidiaries have entered into agreements with a company connected with the Port Authority. Pursuant to the agreements, that company would provide logistic services such as provision of water, heat, fuel, spare parts, equipment repairs, casual labour, catering and laundry services to the two subsidiaries. The service fees for Tianjin Harbour Second Stevedoring Company Limited ("Stevedoring Company") were RMB11,105,000 for the year of 1999, RMB16,771,000 for each year of 2000 and 2001 and RMB16,312,000 for each year of 2002 to 2004. The service fees for Tianjin Port Container Terminal Company Limited ("Container Company") were RMB4,917,000 for the year of 1999 and RMB7,150,000 from 2000 onwards.

An aggregate of RMB17,484,000 (approximately HK\$16,485,000) and RMB7,324,000 (approximately HK\$6,906,000) in respect of the year ended 31st December 2000 were paid respectively (1999: RMB10,425,000 and RMB5,163,000 respectively).



## CONNECTED TRANSACTIONS (Cont'd)

### (b) Transactions with Tianjin Port Authority (the "Port Authority") (Cont'd)

- (xii) The Group's two subsidiaries have entered into agreements with a company connected with the Port Authority. Pursuant to the agreements, that company would provide logistic services in respect of inventories management and material supplies to the two subsidiaries for a period of five years.

In return, the Stevedoring Company and the Container Company would pay services fees, calculated at 15% and 18% mark up respectively, on the cost of the material supplies and consumed by them.

An aggregate of RMB29,174,000 (approximately HK\$27,507,000) in respect of the year ended 31st December 2000 was paid.

The transactions have not been disclosed in a press announcement and the directors realised that the failure to comply with the disclosure requirement of the Listing Rules was a breach of the Listing Rules. The directors propose to:

- (a) disclose the details of these transactions by way of a press announcement; and
- (b) submit an application to the Stock Exchange for a waiver from the continuing disclosure requirement in respect of the transactions.

### (c) Transactions with Tianjin Agricultural Cultivation Group Company (the "Agricultural Group Company")

- (i) The Group has a lease agreement with the Agricultural Group Company to lease a certain portion of land (approximately 24,073 square metres) occupied by a subsidiary of the Group for the period from 29th October 1997 to 14th June 2047 at a rental of RMB120,000 per annum for the whole term.

A rental of RMB120,000 (approximately HK\$113,000) was paid to the Agricultural Group Company in respect of the year ended 31st December 2000 (1999: RMB120,000).

- (ii) Unfinished wines, packaging material and packaging services with aggregate amount of RMB25,934,000 (approximately HK\$24,452,000) were provided by subsidiaries of the Agricultural Group Company during the year (1999: RMB28,970,000).

- (iii) The Group has an agreement with Dynasty Alliance Business Development Limited ("DABD"), a wholly owned subsidiary of the Agricultural Group Company. Pursuant to the terms of the agreement, DABD would provide the use of the transformation station to the Group for a period of five years from 1st May 1998. The monthly rental is RMB180,000 (approximately HK\$169,000).

An aggregate reimbursement of RMB2,160,000 (approximately HK\$2,037,000) was paid in respect of the year ended 31st December 2000 (1999: RMB2,160,000).

**CONNECTED TRANSACTIONS (Cont'd)****(d) Transactions with Tianjin Engineering Bureau**

- (i) The Group has a road management contract with Eastern Outer Ring Road Company (the "Road Company"), a wholly owned subsidiary of the Tianjin Engineering Bureau, whereby the Road Company is appointed to manage, operate and maintain the Eastern Outer Ring Road owned by the Group. A supplemental agreement was entered on 18th July 1999 with the Road Company. Pursuant to the supplemental agreement, the Road Company is excluded from the obligation to manage, operate and maintain the Xinkahe Station and Haihe South Station, and the right to collect toll fee therefrom.

A fee of RMB28,484,000 (approximately HK\$26,856,000) was paid to the Road Company in respect of the year ended 31st December 2000 (1999: RMB26,620,000).

- (ii) On 13th October 1998, the Group entered into agreements with Tianjin Engineering Bureau to purchase 6.62% interest in fourteen joint ventures which build, operate and manage Tang Jin Expressway, at a consideration of RMB218,400,000 (approximately HK\$204,900,000).

Amounts totalling RMB4,831,000 (approximately HK\$4,510,000) have been made to Tianjin Engineering Bureau in respect of the year ended 31st December 2000 (1999: RMB154,000,000).

- (iii) On 10th February 1999, the Group entered into a subcontracting agreement with the Road Company whereby the Road Company would undertake the redevelopment of the Eastern Outer Ring Road into a toll road. An amount of RMB117 million (approximately HK\$110 million) was paid or payable for the redevelopment of the year ended 31st December 2000 (1999: HK\$1,459 million).

Pursuant to the subcontracting agreement, the Road Company is entitled to a certain percentage of the toll fee as stipulated in the agreement if the redevelopment is completed earlier than as stated in the agreement. No payment was made by the Company in respect of the year ended 31st December 2000 (1999: RMB8,305,000).

- (iv) The Road Company has provided guarantee jointly with the Company in respect of bank loan facilities amounting to RMB850 million (approximately HK\$798 million) to one of the Group's subsidiary. The bank loan was fully drawn down and outstanding at 31st December 2000 (1999: RMB450 million).

**(e) Transaction with Tianjin Mechanical and Electrical Holding Company (the "Mechanical Company")**

The Group has a lease agreement with the Mechanical Company to lease a certain parcel of land for the period from 29th October 1997 to 19th August 2037 at a fixed rental of RMB8,000 per annum for the whole term.

A rental of RMB8,000 (approximately HK\$7,500) was paid to the Mechanical Company in respect of the year ended 31st December 2000 (1999: RMB8,000).

### **CONNECTED TRANSACTIONS (Cont'd)**

The above transactions constitute related party transactions and where material are disclosed in note 33 to the accounts except for b(vi) and (vii) where no actual transactions had taken place with the Port Authority.

The above transactions constitute connected transactions under the Listing Rules on the Stock Exchange. The independent non-executive directors, Messrs Kwong Che Keung, Gordon, Cheung Wing Yui and Lau Wai Kit have reviewed the above transactions and confirm that:

- (a) the transactions have been entered into in the ordinary course of business;
- (b) the transactions have been entered into either on normal commercial terms or on terms that are fair and reasonable so far as the interests of shareholders of the Company are concerned;
- (c) save for b(vi) above for which a shortfall is noted in the percentage of business dealt with by the Group under the relevant agreement, the transactions have been entered into either in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to third parties, however such shortfall is the result of interruptions to normal operations of certain container berths currently subject to redevelopment works; and
- (d) save for (b)(xii) above for which the application of a waiver is still in progress, the values of the transactions are within the limits set out under the relevant transactions in the section headed "Connected Transactions" of the prospectus dated 2nd December 1997.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

### **MANAGEMENT CONTRACTS**

Save for the road management contracts mentioned in the section headed "Connected Transactions" in relation to the management of the Eastern Outer Ring Road, 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.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's sales and purchases respectively.

### **CORPORATE GOVERNANCE**

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix I4 of the Listing Rules of the Stock Exchange.

## **AUDIT COMMITTEE**

Pursuant to the Listing Rules, an audit committee, comprising two independent non-executive directors, namely Kwong Che Keung, Gordon and Lau Wai Kit was established.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

## **AUDITORS**

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

PricewaterhouseCoopers replaced Price Waterhouse in 1999 following their merger with Coopers & Lybrand.

On behalf of the Board

**Wang Guang Hao**

*Chairman*

Hong Kong SAR, 25th April 2001