

## REPORT OF THE DIRECTORS

The Directors have the pleasure of presenting their annual report together with the audited financial statements of PCL Enterprises Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2000.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 12 to the accompanying financial statements.

### SEGMENTAL INFORMATION

An analysis of the Group’s turnover by principal activity and geographical location together with their respective profit for the year is as follows:

**a. By principal activity:**

	Turnover		Profit (Loss)	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of integrated circuits	91,978	63,528	8,738	(24,721)
Agency service fees	15,797	—	15,797	—
Rental income	6,433	6,579	6,433	6,579
Commission income	2,931	15,619	2,931	15,619
Integrated circuits design fees	1,246	—	1,246	—
	<u>118,385</u>	<u>85,726</u>	<u>35,145</u>	<u>(2,523)</u>
Other revenue			5,830	10,675
Gain on disposal of a subsidiary			8,444	—
Expenses			<u>(44,164)</u>	<u>(25,663)</u>
Profit (Loss) before tax			<u>5,255</u>	<u>(17,511)</u>

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## SEGMENTAL INFORMATION (Cont'd)

### b. By geographical location:

	Turnover		Profit (Loss)	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	55,417	83,681	8,472	(3,620)
Taiwan	46,740	—	11,843	—
The People's Republic of China ("the PRC")	16,228	2,045	14,830	1,097
	<u>118,385</u>	<u>85,726</u>	<u>35,145</u>	<u>(2,523)</u>
Other revenue			5,830	10,675
Gain on disposal of a subsidiary			8,444	—
Expenses			(44,164)	(25,663)
Profit (Loss) before tax			<u>5,255</u>	<u>(17,511)</u>

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2000, the five largest customers of the Group accounted for approximately 57% of the Group's total turnover while the largest customer of the Group accounted for approximately 18% of the Group's total turnover. In addition, for the year ended 31st December, 2000, the five largest suppliers of the Group accounted for approximately 54% of the Group's total purchases while the largest supplier of the Group accounted for approximately 40% of the Group's total purchases.

None of the directors, their associates, or any shareholders (which to the knowledge of the directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

## RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st December, 2000 are set out in the consolidated income statement on page 28 of this annual report.

The directors do not recommend the payment of a dividend, and recommend that the retained profit of approximately HK\$52,142,000 at 31st December, 2000 be carried forward.

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### SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in Notes 19 and 21 respectively to the accompanying financial statements.

### RESERVES AND RETAINED PROFIT

Movements in reserves and retained profit of the Group and the Company during the year are set out in Note 20 to the accompanying financial statements.

As at 31st December, 2000, approximately HK\$91,331,000 of the Company's reserves was available for distribution to its shareholders.

### PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2000.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would obligate the Company to offer new shares on a pro rata basis to the existing shareholders.

### SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 12 to the accompanying financial statements.

### FIXED ASSETS AND INVESTMENT PROPERTY

Details of movement in fixed assets and investment property during the year are set out in Notes 10 and 11 respectively to the accompanying financial statements.

Particulars of the major property of the Group as at 31st December, 2000 are set out on page 58 of this annual report.

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## BANK LOANS

Particulars of bank loans as at 31st December, 2000 are set out in Note 18 to the accompanying financial statements.

## CHARITABLE DONATIONS

The Group did not make any charitable contributions during the year ended 31st December, 2000.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year ended 31st December, 2000 and up to the date of this report were:

### **Executive directors:**

Seto Yee Woon, John

Cheung Kwan Hung, Anthony (Resigned on 6th November, 2000)

Pang Hong

Yip Chi Hung

Liang Ming Cheng

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

Fung Choi On

Wong Chi Keung

In accordance with article 99 of the Company's bye-laws, Messrs. Yip Chi Hung and Wong Chi Keung will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has an unexpired service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2000, none of the directors or their 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 Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”).

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme, under which it may grant options to directors and employees of the Group to subscribe for the Company's shares. Details of the scheme are set out in Note 21 to the accompanying financial statements. The share options granted to and held by the Company's directors during the year ended 31st December, 2000 were as follows:

Name	Number of share options			
	Subscription price per share	Beginning of year	Cancelled during the year	End of year
Seto Yee Woon, John	HK\$0.824	5,000,000	—	5,000,000
Cheung Kwan Hung, Anthony	HK\$0.824	4,000,000	(4,000,000)	—
Pang Hong	HK\$0.824	1,500,000	—	1,500,000

Save as disclosed above, at no time during the year ended 31st December, 2000 was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable any of the Company's directors, their respective spouses or children under the age of 18 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

No 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 any of the Company's directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the following entities (not being a director or chief executive of the Company) had registered an interest of 10% or more of the issued share capital of the Company:

<u>Name</u>	<u>Number of issued shares</u>	<u>Percentage holding</u>
Texan Management Limited	145,610,000	43.3%
Vision2000 Venture Ltd.	106,043,142	31.5%

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 31st December, 2000.

## CONNECTED TRANSACTIONS

- (1) Upon completion of the acquisition of a 51% interest in Vitelic (Hong Kong) Limited (“VHK”) by the Group, a Sales Agency Agreement (the “Agreement”) was entered into between VHK and Mosel Vitelic Inc. (“MVI”). Since MVI is an indirect substantial shareholder of VHK, the Agreement constituted a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Agreement was approved by the Company on 25th October, 1996.

Under the Agreement, VHK was appointed as the exclusive sales agent in Hong Kong and the PRC for the distribution of certain memory type computer chip products produced by MVI. VHK received sales commissions from MVI (the “Agency Transactions”) at 5% or 8% of the total sales revenue, depending on the category of products sold. In addition, in any financial year of VHK, the amount receivable by VHK as sales commission pursuant to the Agreement shall not exceed an amount equivalent to 25% of the total turnover of VHK for the immediately preceding financial year of VHK.

The commission for the year ended 31st December, 2000 amounted to approximately HK\$1,832,000 (1999 - HK\$15,097,000).

## CONNECTED TRANSACTIONS *(Cont'd)*

(1) *(Cont'd)*

The independent non-executive directors of the Company have reviewed and confirmed the following:

- (i) the amount receivable by VHK as sales commission pursuant to the Agreement up to 31st July, 2000 (date of disposal of VHK by the Group) did not exceed the equivalent of 25% of the total turnover of VHK for the year ended 31st December, 1999.
- (ii) the Agency Transactions entered into during the year were:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) on normal commercial terms;
  - (c) in accordance with the Agreement; and
  - (d) fair and reasonable as far as the shareholders of the Company are concerned.

The Agreement was terminated with effect from 1st April, 2000.

- (2) For the year ended 31st December, 2000, rental income of approximately HK\$502,000 and HK\$1,212,000 (1999 - HK\$502,000 and HK\$1,212,000) were received and/or became receivable from Fong Wing Shing Construction Company Limited and PCL Holdings Limited respectively. The directors of the Company, Mr. Yip Chi Hung and Mr. Pang Hong, are in a position to exercise significant influence over these companies.

## 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 covered by this annual report except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting in accordance with the By-laws of the Company.

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## AUDIT COMMITTEE

The audit committee of the Company had held two meetings on 25th September, 2000 and 20th April, 2001 respectively. The meetings were held for the purposes of reviewing the internal control of the Company and considering issues arising from the finalization of the interim and final accounts of the Company.

## AUDITORS

The accompanying financial statements were audited by Arthur Andersen & Co. A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Seto Yee Woon, John**

*Chairman*

Hong Kong, 26th April, 2001