

The directors 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 the trading of woollen and worsted products. Details of the principal activities of the principal subsidiaries are set out in note 13 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

### SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 31 December 2000 is as follows:

	Turnover		Contribution to profit from operating activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Trading of woollen and worsted products	28,369	23,022	(3,382)	(8,839)
Restaurant operations	129,138	94,843	9,238	(4,944)
Property investment and holding	7,787	8,078	4,080	(10,099)
Others	2,267	1,842	(1,493)	(586)
	<b>167,561</b>	127,785	<b>8,443</b>	(24,468)
By geographical area:				
The People's Republic of China:				
Hong Kong	35,766	30,118	(2,715)	(5,481)
Elsewhere	48,016	48,118	5,470	(22,639)
Singapore	75,878	49,549	5,560	3,652
Indonesia	7,901	–	128	–
	<b>167,561</b>	127,785	<b>8,443</b>	(24,468)

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### RESULTS AND DIVIDENDS

The Group's loss 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 14 to 45.

The directors do not recommend the payment of any dividend in respect of the year.

## Report of the Directors

### SUMMARY 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 and reclassified as appropriate, is set out below:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>	1996 <i>HK\$'000</i>
<b>RESULTS</b>					
Turnover	<b>167,561</b>	127,785	117,716	113,580	102,077
Loss before tax	<b>(18,374)</b>	(54,064)	(36,423)	(15,372)	(29,196)
Tax	<b>(1,290)</b>	(291)	(1,659)	(2,318)	(1,994)
Loss before minority interests	<b>(19,664)</b>	(54,355)	(38,082)	(17,690)	(31,190)
Minority interests	<b>(3,120)</b>	4,165	3,632	3,723	4,898
Net loss from ordinary activities attributable to shareholders	<b>(22,784)</b>	(50,190)	(34,450)	(13,967)	(26,292)
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>260,722</b>	258,039	308,813	338,057	359,575
Total liabilities	<b>(241,396)</b>	(216,330)	(212,895)	(198,275)	(184,349)
Minority interests	<b>4,905</b>	6,091	1,823	(175)	(9,373)
Net assets	<b>24,231</b>	47,800	97,741	139,607	165,853

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Company and the Group are set out in notes 11 and 12 to the financial statements, respectively.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 13 to the financial statements.

### ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

Particulars of the Company's and the Group's interests in its associates and principal jointly-controlled entities are set out in notes 14 and 15 to the financial statements, respectively.

### **BANK AND OTHER BORROWINGS**

Details of the Company's and the Group's bank and other borrowings at the balance sheet date are set out in note 20 to the financial statements.

### **RESERVES**

Details of movements in the reserves of the Company and the Group are set out in note 24 to the financial statements.

### **DISTRIBUTABLE RESERVES**

At the balance sheet date, the Company had no reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

### **EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the emoluments of the directors of the Company and the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

### **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, the turnover attributable to the five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for 33% of the total purchases for the year and purchases from the largest supplier, which is a jointly-controlled entity of the Group, included therein amounted to 17%.

Save as disclosed above, none of the directors of the Company or any of their associates or any 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 five largest suppliers.

### **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group 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:

Mr. Xiong Da Xin	<i>(appointed on 19 April 2001)</i>
Mr. Bai Jin Rong	
Dr. Mao Xiang Dong, Peter	<i>(appointed on 19 April 2001)</i>
Mr. E Meng	<i>(appointed on 19 April 2001)</i>
Mr. Ng Kong Fat, Brian	
Mr. Ng Kwong Fung	<i>(resigned on 19 April 2001)</i>

#### Independent non-executive directors:

Mr. Wu Shi Xiong  
Mr. Feng Ching Yeng, Frank

In accordance with the Company's articles of association, Mr. Xiong Da Xin, Dr. Mao Xiang Dong, Peter, Mr. E Meng and Mr. Ng Kong Fat, Brian will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

#### Executive Directors

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**XIONG Da Xin**, aged 50, is the Chairman of the Company. He graduated from the Economics Faculty of Capital Trade and Economics University in 1982, and was awarded with the honour of Senior Economist. From May 1994 to February 2000, he served as the deputy secretary general of the Beijing Municipal Government, responsible for coordinating the financial and comprehensive economic affairs of Beijing. Meanwhile, from 1994 to 1998, he served as the director of the Legal System Office of the Beijing Municipality, and from 1998 to February 2000, he also served as the director of the General Office of the Beijing Municipal Government. Mr. Xiong has over 20 years' experience in economics and management. Mr. Xiong is currently the executive vice chairman and president of Beijing Enterprises Holdings Limited, a listed company in Hong Kong. Mr. Xiong joined the Group on 19 April 2001.

**BAI Jin Rong**, aged 50, is the Managing Director of the Company. He graduated from Beijing Normal University in 1985. From 1992 to 1997, he served as the deputy director of Beijing Economic Structure Reforms Committee. From 1983 to 1992, he held the posts of deputy director and director of the Policy Research Office of Beijing Chemical Industry Group. Mr. Bai has over 20 years' experience in economics, finance and enterprise management. Mr. Bai is currently an executive director and executive vice president of Beijing Enterprises Holdings Limited. Mr. Bai joined the Group in May 1995.

**MAO Xiao Dong, Peter**, aged 33, is a Deputy Managing Director of the Company and responsible for formulating corporate development strategies and assessing investments in high-technology projects. Dr. Mao completed his postdoctoral program of computer science and technology in Tsinghua University in the PRC after obtaining his doctoral degree in 1998. Dr. Mao has extensive experience in high-tech

investments. He has been in charge of a top government R&D project namely 863 National High-tech Research and Development Project and got involved in the research and development of digital information technology products. He is also a fellow member of IEEE. Dr. Mao joined the Group on 19 April 2001.

**E Meng**, aged 42, is a Deputy Managing Director of the Company and responsible for financial management. Mr. E graduated from China Science and Technology University with a master's degree in engineering. He is a PRC senior accountant with the qualifications of PRC certified accountant, asset appraiser, certified real estate appraiser and tax appraiser. From 1988 to 1998, Mr. E was the deputy director of Beijing New Technology Development Zone ("BNTDZ"), the director for BNTDZ Department of Finance Auditing and State Asset Management, the manager of BNTDZ Investment Operation Company, the director of Beijing Tianping Accounting Firm and the deputy director of the State Asset Management Office of Beijing Haidian District. Mr. E has over 15 years' experience in economics, finance and enterprise management. Mr. E joined the Group on 19 April 2001.

**NG Kong Fat, Brian**, aged 45, is a Deputy Managing Director of the Company and responsible for day to day management. Mr. Ng graduated from University of Stirling in Scotland in 1983 and is also a member of the Institute of Chartered Accountants of Scotland. Mr. Ng has over 15 years' experience in corporate, investment and financial management. Mr. Ng joined the Group in July 1993.

**NG Kwong Fung**, aged 49, is an Executive Director of the Company. Mr. Ng is a businessman with extensive experience in the fields of property and hotel development and jewellery. He is currently a director and shareholder of a number of companies in Hong Kong, Beijing, Shanghai, Guangzhou and Singapore. He is the elder brother of Ng Kong Fat, Brian. Mr. Ng joined the Group in July 1993 and resigned as a director of the Company on 19 April 2001.

### Non-Executive Directors

**WU Shi Xiong**, aged 49, is an Independent Non-Executive Director of the Company. Mr. Wu has worked for the Beijing Municipal Government for the past 26 years and is currently the director of the Beijing Finance Bureau. Mr. Wu joined the Group in April 1995.

**FENG Ching Yeng, Frank**, aged 48, is an Independent Non-Executive Director of the Company. Mr. Feng has been a professional architect since 1981 and is currently a director of Frank C Y Feng Architects & Associates (HK) Limited. Mr. Feng joined the Group in December 1994.

### Senior Management

**WONG Kwok Wai, Robin**, aged 34, is the Financial Controller and the Company Secretary of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Society of Accountants. He previously worked for a major international accounting firm and has over 13 years' experience in administration, auditing, accounting and business finance. Mr. Wong joined the Group in July 1993.

## Report of the Directors

### 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' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the financial statements, 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, holding companies and fellow subsidiaries was a party during the year.

### DIRECTORS' INTERESTS IN SHARES

At 31 December 2000, the interests of the directors in the share capital of the Company's subsidiaries, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

- (a) Sunbird Holdings Limited ("Sunbird") beneficially owns 2,400 ordinary shares of HK\$1 each in the share capital of H.K. Forewell Investments Limited, representing 24% of its issued share capital.
- (b) Sunbird beneficially owns 2,400 ordinary shares of HK\$1 each in the share capital of Hong Kong Fortune International Limited, representing 24% of its issued share capital.
- (c) Sunbird beneficially owns 6,000 ordinary shares of S\$1 each in the share capital of Ah Yat Abalone Forum Restaurant Holdings Pte Ltd, representing 24% of its issued share capital.

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Ng Kwong Fung and Ng Kong Fat, Brian, directors of the Company, have beneficial equity interests in Sunbird.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries, holding companies and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Interest
Illumination Holdings Limited	58,618,368	68%

Mr. Bai Jin Rong, Mr. Ng Kong Fat, Brian and Mr. Ng Kwong Fung, directors of the Company, are also directors of Illumination Holdings Limited.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

### LOAN TO AN ASSOCIATE

At 31 December 2000, a loan and advances totalling HK\$55,786,000 granted by the Company to an associate were outstanding, further details of which are included in note 14 to the financial statements. The summary consolidated balance sheet of the associate, which is 50% owned by the Company, as at 31 December 2000 is set out below:

	<i>HK\$'000</i>
Interest in a jointly-controlled entity	116,500
Current liabilities	
Amounts due to shareholders	(40,632)
Other payables and accruals	(3,579)
Loans from shareholders	(69,570)
	2,719
Share capital	—
Reserves	2,719
	2,719

## Report of the Directors

### 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's articles of association and the Company has not established an audit committee.

### 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

**XIONG DA XIN**

*Chairman*

Hong Kong  
19 April 2001