

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries as at 31 December 2000 are set out in note 31 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 51% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 20% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year comprised approximately 65% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 16% of the Group's total purchases.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, own more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers or suppliers of the Group.

RESULTS

The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 17 of the annual report and in the accompanying notes to the financial statements.

The Company do not recommend the payment of any dividend.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the past five financial years ended 31 December 2000 is set out on page 36 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 21 to the financial statements.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 22 to the financial statements.

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RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2000 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 (the "Listing Rules"), except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meetings in accordance with the Bye-laws of the Company.

DIRECTORS

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

Executive directors:

Tsoi Hon Chung (*Chairman*)

Cai Han Peng (*Deputy-Chairman*)

Tsoi Chun Bun

Tsoi Chun Hung

Cheung Chun Ying

Independent non-executive directors:

Wong Wing Hon, Clint (appointed on 13 March 2000)

Wong Yiu Kwong, Eric (appointed on 13 March 2000)

Siu Kwok Leung (resigned on 13 March 2000)

Lo Kwok Kwei, David (resigned on 10 April 2000)

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Messrs. Cai Han Peng and Tsoi Chun Hung retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All of the remaining directors continue in office.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any 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.

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DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2000, the interests of directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held as	
	Corporate interest (note)	Other interest (note)
Tsoi Hon Chung	148,964,000	–
Tsoi Chun Bun	–	148,964,000
Tsoi Chun Hung	–	148,964,000

Note: 148,964,000 ordinary shares were held by Feng Lin Holdings Limited ("Feng Lin") whose issued share capital is held as to 70%, 10% and 10% by Messrs. Tsoi Hon Chung, Tsoi Chun Bun and Tsoi Chun Hung respectively. The remaining 10% issued share capital of Feng Lin is beneficially held by one of the family members of Mr. Tsoi Hon Chung.

Save as disclosed above, none of the directors and chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Other than the share option scheme of the Company as disclosed in note 22 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 directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 30 to the financial statements:

- (i) no contracts of significance subsisted at any time during the year to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed under the heading "Directors' interests in Securities", the Company had not been notified of any interests representing 10% or more of the issued share capital of the Company.

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CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the share option scheme as set out in note 22 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2000 and there was no exercise of convertible securities, options, warrants or similar rights during the year.

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.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$1,200.

PENSION SCHEME

Information on the pension scheme of the Group is set out in note 29 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Tsoi Hon Chung

Chairman

Hong Kong, 27 March 2001