

# Directors' Report



The directors present their annual report and the audited financial statements for the year ended 31st December, 2000.

## Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 14 to the financial statements.

## Major Customers and Suppliers

During the year, the five largest customers of the Group in aggregate accounted for approximately 78% of the turnover of the Group and the largest customer accounted for approximately 25% of the turnover of the Group.

The five largest suppliers of the Group in aggregate accounted for approximately 71% of the total purchases of the Group and the largest supplier accounted for approximately 25% of the total purchases of the Group.

China Petrochemical Corporation ("Sinopec"), a shareholder holding more than 70% of the Company's share capital, had beneficial interests in the fifth largest supplier which accounted for approximately 5% of the purchases of the Group. In addition, Sinopec also had beneficial interests in two of the five largest customers of the Group which in aggregate accounted for approximately 24% of the total turnover of the Group.

Save as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the issued share capital of the Company) have an interest in any of the five largest customers or suppliers of the Group.



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## Results and Appropriations

The results of the Group for the year ended 31st December 2000 are set out in the consolidated income statement on page 19.

An interim dividend of HK1.5 cents per share (amounting to HK\$15,552,450) was paid to shareholders during the year. The directors now recommend the payment of a final dividend of HK2 cents per share to the shareholders whose names appear on the register of members on 18th May 2001, amounting to HK\$20,736,600.

## Reserves

Movements during the year in the reserves of the Group and of the Company are set out in note 22 to the financial statements.

## Financial Summary

A summary of the results of the Group for the past five years ended 31st December 2000 is set out on page 48.

## Property, Plant and Equipment

During the year, the Group spent approximately HK\$57,875,000 on construction in progress for the purpose of constructing jetty facilities situated in the People's Republic of China (the "PRC"). The Group also acquired other assets at an aggregate cost of approximately HK\$76,222,000 for business expansion. Details of these and other movements during the year in the Group's property, plant and equipment are set out in note 12 to the financial statements.

## Share Capital

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

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

During the year, the Company repurchased and cancelled certain of its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are set out in note 21(c) to the financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchase would increase the net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## Directors

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

### Executive directors

Mr. Hong Zhi Ming (*Chairman*)  
Mr. Dai Zhao Ming  
Mr. Zhai Xu Dong (*Managing Director*)  
Mr. Zhan Hai Tao  
Mr. Wu Da Bang (resigned on 9th May, 2000)

### Non-executive director

Mr. Guan Qing Jie

### Independent non-executive directors

Mr. Gu Yong Jiang  
Mr. Wong Po Yan  
Ms. Tam Wai Chu, Maria

In accordance with Bye-law 111 of the Company's Bye-laws, Messrs. Dai Zhao Ming and Zhai Xu Dong retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for a period of three years commencing from 23rd March, 1998 (which is automatically renewed upon expiry for



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successive terms of one year), subject to termination on or after 1st May, 2001 by either party giving not less than six months' prior written notice to the other party terminating at the end of the initial term of the relevant service contract or at any time thereafter.

Each of the non-executive directors has been appointed for a term of three years commencing from 25th March, 1998.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting 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 in Contracts

No contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries 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.



## Directors' Interests in Shares

As at 31st December, 2000, none of the directors or their associates had any interests in any 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

Apart from the share option scheme of the Company as detailed in note 24 to the financial statements, at no time during the year was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements 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. No options have been granted under the share option scheme since its inception.

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## Connected Transactions

Save as disclosed in note 33 to the financial statements, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The independent non-executive directors of the Company confirmed that the connected transactions referred to above have been entered into in the manner as stipulated in paragraph (D)(1) "Conditions to waiver" in the section headed "Business – Connected Transactions" in the prospectus of the Company dated 15th June, 1999 ("Waiver Conditions"). The



directors of the Company are of the opinion that the above connected transactions have been entered into in the manner as stipulated in paragraphs (D)(1) and (D)(2) in the Waiver Conditions.

## Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses the following company as having an interest of 10% or more in the issued share capital of the Company at 31st December, 2000:



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## Approximate

Name	Number of shares held	percentage of issued shares held
Sinopec Kantons International Limited	750,000,000	72.34%

*Note:* The entire issued share capital of Sinopec Kantons International Limited is held by China Petrochemical International Guangzhou Company ("CPIGC"). The entire registered capital of CPIGC is held by China Petrochemical International Company ("CPIC"). The entire registered capital of CPIC is held by China Petroleum & Chemical Corporation and the controlling registered capital of China Petroleum & Chemical Corporation is held by China Petrochemical Corporation.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more in the issued share capital of the Company as at 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 oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Corporate Governance

The Company has complied throughout the year ended 31st December, 2000 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## Auditors

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

On behalf of the Board

**Hong Zhi Ming**

*Chairman*

Hong Kong, 9th April, 2001