



Report of the Directors

(Amounts expressed in Hong Kong dollars)

The Directors are pleased to present their annual report together with the audited financial statements of the Company and the Group for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing and wholesaling of aluminium extrusion products and chemicals for use in electroplating process produced at facilities located in Nanhai of Guangdong Province and the Hong Kong Special Administrative Region of The People's Republic of China.

Segmental information of the Group's turnover and contribution to profit from operations for the year ended 31st December 2000 is set out in Note 3 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the financial year ended 31st December 2000, the five largest customers of the Group accounted for approximately 24% of the Group's turnover, while the five largest suppliers accounted for approximately 83% of the Group's total purchases. In addition, the largest customer of the Group accounted for approximately 6% of the Group's sales revenue and the largest supplier of the Group accounted for approximately 34% of the Group's 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 five largest suppliers.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st December 2000 are set out on page 26 of this annual report.

The Directors did not declare any interim dividend during the year ended 31st December 2000. Pursuant to a resolution passed at the board meeting held on 24th April 2001, a final dividend of HK0.2 cent per share, totalling approximately HK\$7,409,000, for the year ended 31st December 2000 was proposed to be paid to shareholders whose names appear on the register of members of the Company on 8th June 2001. Subject to the approval by shareholders at the forthcoming 2001 Annual General Meeting, the proposed final dividend will be despatched to shareholders on or about 6th July 2001.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Movements in share capital and details of warrants and share options scheme of the Company are set out in Notes 21, 22 and 23, respectively, to the accompanying financial statements.



RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 24 to the accompanying financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

PURCHASE, SALE OR REDEMPTION OF SHARES AND WARRANTS

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's By-laws and the laws in Bermuda.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 11 to the accompanying financial statements.

FIXED ASSETS

Movements of fixed assets during the year are set out in Note 10 to the accompanying financial statements.

BANK LOANS

Particulars of bank loans as at 31st December 2000 are set out in Notes 17 and 19 to the accompanying financial statements.

PENSION SCHEME

Details of the pension scheme are set in Note 27 to the accompanying financial statements.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in Note 30 to the accompanying financial statements.

CONNECTED TRANSACTIONS

Acquisition of properties

On 28th August 2000, Kenlap (as defined above), a wholly-owned subsidiary of the Company, acquired the properties located at offices A and B, 14th Floor and 15th Floor, Hilltop Plaza, 49 Hollywood Road, Hong Kong from Pacific Rich Enterprises Limited ("Pacific Rich"). The consideration for the acquisition was HK\$6,000,000.00 paid in one lump sum upon completion of the acquisition of properties. At the time of acquisition, Ms. Yip Wan Fung was a director of Pacific Rich, Kenlap as well as the Company. In addition, Mr. Yip Kim Po was at that point in time a director of the Company and the controlling shareholder of Kenlap (Holding) Limited, being the holding company of Pacific Rich. Ms. Yip Wan Fung had a 3.33% interest in the Company at the date of acquisition but was not interested in Pacific Rich nor Kenlap.

Disposal of King Glass Engineering Limited

On 27th December 2000, Hing Yip Holdings (China) Limited, a wholly-owned subsidiary of the Company, sold 55% of issued share capital of King Glass Engineering Limited ("King Glass") for a consideration of HK\$130,000,000.00 to Mississippi Industrial Limited, an independent third party. At the date of disposal, two of the executive directors of the Company; namely, Mr. Li Lee Cheung and Mr. Luo Ken Yi (now resigned), were also interested in King Glass in that they were collectively & beneficially interested in the remaining 45% of the issued share capital of King Glass.

The independent non-executive directors of the Company, after reviewing the above transactions, confirmed that the above transactions (during the period(s) where they constituted connected transactions under the Listing Rules, where applicable):

- (a) had been entered into by the Group in the ordinary course of its business;
- (b) had been entered into on normal commercial terms or on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and
- (c) had been entered into either in accordance with the terms of the agreements governing such transactions.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Yip Kim Po, Chairman	
Mr. Tang Hin Lun, Vice Chairman	
Mr. Kwan Yan	
Mr. Yip Lai Po	(Appointment ceased on 14th July 2000)
Ms. Yip Wan Fung	
Mr. Suen Shiu Kay	(Appointed on 31st May 2000)
Mr. Hung Kwok Wa	(Appointed on 30th June 2000)
Mr. Li Lee Cheung	(Appointed on 30th June 2000)
Mr. Luo Ken Yi	(Appointed on 30th June 2000 and resigned on 28th February 2001)
Mr. Wong Yat Fai	(Resigned on 31st March 2000)

Independent non-executive directors

Mr. Chau Po Fan
Mr. Choy Tak Ho

In accordance with the Bye-laws no.86(2) and 87(1) of the Company, Mr. Li Lee Cheung, Mr. Hung Kwok Wa, Mr. Kwan Yan and Ms. Yip Wan Fung will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. None of the directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation) with the Company.

DETAILS OF DIRECTORS

Brief details of directors are set out on pages 19 and 20.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2000, the directors of the Company had the following beneficial interests in the shares of \$0.10 each in the capital of the Company, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Number of shares	Number of warrants <i>(Note a)</i>	Number of share options
Mr. Yip Kim Po <i>(Notes b, c and d)</i>	1,354,303,524	–	–
Ms. Yip Wan Fung	111,443,141	–	–
Mr. Tang Hin Lun <i>(Notes f)</i>	3,000,000	–	9,000,000
Mr. Kwan Yan <i>(Notes e)</i>	9,000,000	10,000,000	–
Mr. Suen Shiu Kay	80,000	–	–
Mr. Li Lee Cheung	10,000	–	–
Mr. Luo Ken Yi	40,000,000	–	–
Mr. Chau Po Fan	200,000	–	–
Mr. Choy Tak Ho <i>(Notes g)</i>	–	–	5,000,000

Notes:

- The warrants of the Company conferred rights to subscribe in cash for shares, on the basis of a subscription price of \$0.16 per share (subject to adjustment), during the period from 28th August 2000 to 31st December 2001 (both dates inclusive).
- As at 31st December 2000, Holylake Resources Limited ("Holylake") held 817,114,286 shares of the Company. The issued shares of Holylake were owned as to 76% and 24% by Mr. Yip Kim Po and Mr. Yip Lap Chi, respectively. The interests of Mr. Yip Kim Po in the issued shares of the Company were corporate interests in the Company by virtue of Practice Note 5 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").
- As at 31st December 2000, Grecian Resources Limited ("Grecian") held 310,832,095 shares of the Company. The issued shares of Grecian were owned as to 76% and 24% by Mr. Yip Kim Po and Mr. Yip Lap Chi, respectively. The interest of Mr. Yip Kim Po in the issued shares were corporate interests in the Company by virtue of Practice Note 5 to the Listing Rules.
- Mr. Yip Kim Po held 217,357,143 shares and Mr. Wong Soon Teck (as nominee for Mr. Yip Kim Po) held 9,000,000 shares of the Company. These interests of Mr. Yip Kim Po were personal interests as described in Practice Note 5 to the Listing Rules.
- Mr. Kwan Yan was interested in warrants to subscribe for an aggregate of 10,000,000 shares in the Company at \$0.16 per share (see Note a). These interests were personal interests in the Company as described in Practice Note 5 to the Listing Rules.

DIRECTORS' INTERESTS IN SECURITIES (continued)

- f. Mr. Tang Hin Lun was interested in options to subscribe for an aggregate of 9,000,000 shares in the Company at \$0.1128 per share exercisable during the period from 2th May 2000 to 3rd September 2007. These interests were personal interests in the Company as described in Practice Note 5 to the Listing Rules.
- g. Mr. Choy Tak Ho was interested in options to subscribe for an aggregate of 5,000,000 shares in the Company at \$0.12 per share exercisable during the period from 27th March 1998 to 3rd September 2007. The subscription price of these share options had been adjusted due to the issuance of bonus shares on the basis of two new shares for every one share in issue on 25th November 1999. These interests were personal interests in the Company as described in Practice Note 5 to the Listing Rules

Save as disclosed above, the Company had no notice of any interest required to be recorded under Section 29 of the SDI Ordinance as at 31st December 2000.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme under which it may grant options to employees (including executive directors) of the Group to subscribe for shares in the Company. Details of the scheme are set out in Note 23 to the accompanying financial statements.

The share options granted to and held by the Directors of the Company during the year were as follows:

Name	Subscription price per share \$	Number of share options			
		Beginning of year	Granted during the year	Exercised during the year	End of year
Executive directors:					
Mr. Yip Kim Po	0.10	50,000,000	-	(50,000,000)	-
Mr. Tang Hin Lun	0.12 (Note a)	4,500,000	-	(4,500,000)	-
	0.1128 (Note b)	-	9,000,000	-	9,000,000
Mr. Kwan Yan	0.12 (Note a)	3,000,000	-	(3,000,000)	-
	0.1128 (Note b)	-	6,000,000	(6,000,000)	-
Mr. Wong Yat Fai	0.10	30,000,000	-	(30,000,000)	-
Independent non-executive director:					
Mr. Choy Tak Ho	0.12 (Note a)	5,000,000	-	-	5,000,000
		<u>92,500,000</u>	<u>15,000,000</u>	<u>(93,500,000)</u>	<u>14,000,000</u>

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

Notes:

- a. The options with subscription price of \$0.12 (as adjusted due to the issuance of bonus share on the basis of two shares for every one share in issue on 25th November 1999) are exercisable at any time during the period from 27th March 1998 to 3rd September 2007.
- b. The options with subscription price of \$0.1128 are exercisable at any time during the period from 2th May 2000 to 3rd September 2007.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or its holding companies a party to any arrangements enabling any of the Company's directors 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

Save as disclosed in the preceding paragraphs and Note 29 to the accompanying financial statements, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

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

Name	Number of issued shares	Percentage shareholding
Holylake Resources Limited	817,114,286	22.14%

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.

CODE OF BEST PRACTICE

The Group 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 year under review notwithstanding that the 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 Bye-laws of the Company.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formulation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Choy Tak Ho and Mr. Chau Po Fan.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 6th June 2001 to Friday, 8th June 2001 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and for attending and voting at the Annual General meeting scheduled to be held on Friday, 8th June 2001, all share transfers accompanied by the relevant share certificates and in case of warrant holders, all duly completed subscription forms accompanied by the relevant warrant certificates and subscription monies, must be lodged with the Company's share Registrar in Hong Kong, Tengis Limited, on 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration no later than 4:00 pm on Tuesday, 5th June 2001.

PURCHASE, SALE OR REDEMPTION OF SHARES AND WARRANTS

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

AUDITORS

During the year the auditors, Messrs. Arthur Anderson & Co. had resigned and Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*, were appointed as auditors of the Company. There have been no other changes of auditors in the past three years.

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Moores Rowland.

On behalf of the Board of Directors,

YIP KIM PO

Chairman

Hong Kong, 24th April 2001