

## **Directors' Report**

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

### **Principal Activities**

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 42 and 43 respectively to the financial statements.

### **Segmental Information**

The turnover and contribution to profit from operations of the Group for the year ended October 31, 2000, analysed by principal activity and geographical area, are set out in note 4 to the financial statements.

### **Major Customers and Suppliers**

The aggregate turnover and purchases attributable to the Group's five largest customers and suppliers respectively were less than 30 per cent of the Group's total turnover and purchases for the year.

### **Subsidiaries and Associates**

Details of the Group's principal subsidiaries and associates at October 31, 2000 are set out in notes 42 and 43 to the financial statements, respectively.

### **Results and Appropriations**

The results of the Group and appropriations of the Company for the year ended October 31, 2000 are set out in the consolidated income statement on page 31.

No interim dividend was paid to the shareholders of the Company during the year.

The directors now recommend the payment of a final dividend of HK3.5 cents per ordinary share to the shareholders on the register of members on April 4, 2001, amounting to HK\$17,359,000, and the retention of the remaining profit for the year of HK\$28,705,000.

### **Reserves**

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

### **Financial Summary**

A financial summary is set out on page 14.

### **Investment Properties**

The Group's investment properties were revalued at the year end date. The deficit arising on revaluation amounting to HK\$5,073,000 has been charged to the consolidated income statement. Details of this and other movements in investment properties are set out in note 15 to the financial statements.

## Directors' Report

### Property, Plant and Equipment

During the year, the Group acquired land and buildings in aggregate of HK\$90,000, leasehold improvements of HK\$3,440,000, furniture, fixtures and office equipment of HK\$11,098,000, tools, machinery, factory equipment and fittings of HK\$7,872,000, motor vehicles of HK\$2,394,000 and operating supplies of HK\$1,533,000.

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

### Summary of Properties held for Investment Purposes

A summary of properties held for investment purposes at October 31, 2000 is set out on page 77 of the annual report.

### Share Capital

Details of the issued share capital of the Company during the year are set out in note 27 to the financial statements.

### Directors and Directors' Service Contracts

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

#### *Executive directors:*

Mr. Lawrence Chia Song Huat, *Chairman*

Mr. Louis Cheng Teong Meng, *Vice Chairman*

Mr. James Chia Song Heng

Mr. Jolly Chang Cheo Lik

Mr. Yong Choon Kong

#### *Non-executive director:*

Mr. Alain Xavier Cany

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

Mr. Frank Lee Kee Wai

Mr. Gregory Robert Scott Crichton

In accordance with Article 116 of the Company's Articles of Association, Messrs. Lawrence Chia Song Huat and Jolly Chang Cheo Lik retire and, being eligible, offer themselves for re-election.

All of the directors, including the non-executive and independent non-executive directors, are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the aforementioned Article.

## Directors' Report

### Directors and Directors' Service Contracts (Cont'd)

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### Directors' Interests in Shares

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

Directors	Number of shares held	
	Personal interests	Other interests (Note)
Mr. Lawrence Chia Song Huat	1,081,000	222,057,393
Mr. James Chia Song Heng	–	222,057,393
Mr. Louis Cheng Teong Meng	3,602,000	–
Mr. Jolly Chang Cheo Lik	750,000	–
Mr. Yong Choon Kong	750,000	–
Mr. Alain Xavier Cany	–	–
Mr. Frank Lee Kee Wai	–	–
Mr. Gregory Robert Scott Crichton	–	–

*Note:* These shares are held through Pine Asset Management Limited, Eunost Limited and Chestnut Asset Management Limited which are wholly owned subsidiaries of Nastar Holdings S.A.. Nastar Holdings S.A. is the trustee of a discretionary trust and Mr. Lawrence Chia Song Huat and Mr. James Chia Song Heng are two of the beneficiaries.

Mr. Lawrence Chia Song Huat, Mr. James Chia Song Heng and Mr. Louis Cheng Teong Meng also have personal interests in 2,000, 4,000 and 5,000 non-voting deferred shares, respectively in Pico International (HK) Limited, a subsidiary of the Company.

Save as disclosed above and other than certain shares in subsidiaries held as nominees by certain directors of the Group, none of the directors or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance, 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.

## Directors' Report

### Arrangements to Purchase Shares or Debentures

The directors had personal interests in share options to subscribe for shares in the Company as follows:

Name of directors		Outstanding at November 1, 1999	Number of share options Granted during the year	Outstanding at October 31, 2000
Mr. Lawrence Chia Song Huat	(Note (1))	8,816,000	–	8,816,000
	(Note (2))	–	240,000	240,000
Mr. James Chia Song Heng	(Note (1))	6,612,000	–	6,612,000
	(Note (2))	–	232,000	232,000
Mr. Louis Cheng Teong Meng	(Note (1))	1,102,000	–	1,102,000
	(Note (2))	–	200,000	200,000
Mr. Jolly Chang Cheo Lik	(Note (1))	1,102,000	–	1,102,000
	(Note (2))	–	168,000	168,000
Mr. Yong Choon Kong	(Note (1))	1,102,000	–	1,102,000
	(Note (2))	–	168,000	168,000
Mr. Alain Xavier Cany		–	–	–
Mr. Frank Lee Kee Wai		–	–	–
Mr. Gregory Robert Scott Crichton		–	–	–

*Notes:*

- (1) The exercise price is HK\$3.428 per share and the option period during which the options may be exercised is the period from September 14, 1997 to March 13, 2002.
- (2) The exercise price is HK\$0.63 per share and the option period during which the options may be exercised is the period from May 17, 2000 to December 17, 2004.

Details of the Company's share option scheme are set out in note 27 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of 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.

## Directors' Report

### Directors' Interests in Contracts of Significance

No contract of significance to which the 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, subsisted at the end of the year or at any time during the year.

### Substantial Shareholders

As at October 31, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10 per cent. or more in the issued share capital of the Company:

Name	Number of shares
Nastar Holdings S.A.	222,057,393 (Note 1)
Pine Asset Management Limited	188,424,030
BAC Investments Limited	88,919,759 (Note 2)

#### Notes:

1. These shares are held through Pine Asset Management Limited, Eunost Limited and Chestnut Asset Management Limited which are wholly owned subsidiaries of Nastar Holdings S.A.. Nastar Holdings S.A. is the trustee of a discretionary trust of which Mr. Lawrence Chia Song Huat and Mr. James Chia Shong Heng are two of the beneficiaries.
2. Mr. Alain Xavier Cany who is a non-executive director of the Company is a director of BAC Investments Limited.

Save as disclosed above, the Company had not been notified of any other interests representing 10 per cent. or more of the issued share capital of the Company as at October 31, 2000.

### Corporate Governance

The Company has complied throughout the year ended October 31, 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.

An audit committee was established by the Company in 1999 to review and supervise the Company's financial reporting process and internal controls. The audit committee currently comprises one non-executive director of the Company, Mr. Alain Xavier Cany and the two independent non-executive directors of the Company, Mr. Frank Lee Kee Wai and Mr. Gregory Robert Scott Crichton.

### Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **Directors' Report**

### **Purchase, Sale or Redemption of Listed Securities**

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

### **Auditors**

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

On behalf of the Board

**Lawrence Chia Song Huat**

*Chairman*

Hong Kong, February 16, 2001