

# REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2000.

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the design, supply and installation of curtain wall systems, architectural aluminum panel systems, industrial claddings, granite and stainless steel cladding systems, aluminum windows, doors and shopfronts, skylights and other building-related products for commercial buildings and residential apartment blocks, and the wholesale supply of sanitary-ware and kitchen cabinets in both the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") and Mainland China.

## SEGMENTAL INFORMATION

An analysis of the Group's turnover and operating loss by principal activity and geographical area of operations for each of the two years ended 31 December 2000 is as follows:

		Turnover			
		2000	1999	2000	1999
		HK\$'000	HK\$'000	A\$'000	A\$'000
<b>By activity:</b>					
Construction/installation works of curtain wall systems		76,876	91,796	17,791	18,123
Sale and distribution of sanitary-ware and kitchen cabinets		548	16,920	127	3,341
		<b>77,424</b>	<b>108,716</b>	<b>17,918</b>	<b>21,464</b>
<b>By geographical area:</b>					
The People's Republic of China					
Hong Kong		69,309	100,827	16,040	19,907
Elsewhere		8,115	7,889	1,878	1,557
		<b>77,424</b>	<b>108,716</b>	<b>17,918</b>	<b>21,464</b>
		Operating Loss			
		2000	1999	2000	1999
		HK\$'000	HK\$'000	A\$'000	A\$'000
<b>By activity:</b>					
Construction/installation works of curtain wall systems		(77,084)	(328,354)	(17,839)	(64,828)
Sale and distribution of sanitary-ware and kitchen cabinets		(5,316)	(3,800)	(1,231)	(750)
		<b>(82,400)</b>	<b>(332,154)</b>	<b>(19,070)</b>	<b>(65,578)</b>
<b>By geographical area:</b>					
The People's Republic of China					
Hong Kong		(82,427)	(244,687)	(19,076)	(48,309)
Elsewhere		27	(87,467)	6	(17,269)
		<b>(82,400)</b>	<b>(332,154)</b>	<b>(19,070)</b>	<b>(65,578)</b>

# REPORT OF THE DIRECTORS

---

## 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 29 to 65.

The Directors do not recommend the payment of any dividend for the year (1999: Nil).

## FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

## SUBSIDIARIES

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

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

## DISTRIBUTABLE RESERVES

As at 31 December 2000, the Company did not have any reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

## BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Company and the Group are set out in notes 19, 21, 22 and 23 to the financial statements.

## INTEREST CAPITALISED

During the year, the Group capitalised interest expenses of HK\$503,000 (A\$116,000) in respect of the Group's contract work in progress.

# REPORT OF THE DIRECTORS

## DIRECTORS

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

Colin Clive HILES *	
CHAN Wai Dune *	(Appointed on 13 April 2000)
LAU Chi Sing	(Appointed on 27 June 2000)
YUEN Lam Fai, Antony	(Appointed on 7 November 2000)
LI Huazhong	(Appointed on 8 February 2001)
MA Yun ( <i>Managing Director</i> )	(Appointed on 8 February 2001)
KUI Man Chun	(Appointed on 9 March 2001)
LI Wenjin	(Appointed on 9 March 2001)
SU Terry Lumin	(Appointed on 9 March 2001)
XU Chang Jun	(Appointed on 9 March 2001)
CHAN Yiu Kwong	(Appointed on 9 March 2001)
HUI Ho Ming, Herbert	(Resigned on 15 January 2000)
AU Wai Ming	(Resigned on 7 March 2000)
WONG Yui Kit	(Appointed on 13 April 2000 and resigned on 27 June 2000)
CAI Jinghua	(Resigned on 13 April 2000)
CHENG Mo Chi, Moses *	(Resigned on 13 April 2000)
TANG Zhen	(Resigned on 22 September 2000)
HOU Bojian	(Resigned on 8 February 2001)
HUNG Chiu Yin ( <i>ex-Managing Director</i> )	(Resigned on 8 February 2001)

\* *Independent Non-Executive Director*

In accordance with the Articles of Association of the Company, apart from the Managing Director, all the Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company.

Pursuant to Article 56 of the Company's Articles of Association, Kui Man Chun, Li Wenjin, Chan Yiu Kwong, Su Terry Lumin and Xu Chang Jun will hold office until the forthcoming annual general meeting and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Chan Wai Dune, Lau Chi Sing, Yuen Lam Fai, Antony, Li Huazhong and Ma Yun will resign as Directors of the Company upon close of a general offer made by Hi Sun Limited (as detailed in the offeree document issued by the Company dated 23 March 2001) expected to be on 10 April 2001, and therefore will not offer themselves for re-election at the forthcoming annual general meeting.

Colin Clive Hiles will retire in accordance with Article 58 of the Company's Articles of Association and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Biographical details of the Directors of the Company and senior management of the Group are set out on pages 10 to 12 of the annual report.

# REPORT OF THE DIRECTORS

## DIRECTORS' SERVICE CONTRACTS

None of the Directors 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 of compensation other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, Mr. Colin Clive Hiles was a consultant of Abbott, Stillman & Wilson, a corporate adviser to the Company in Australia which was paid a retainer fee in the normal course of business of the Company.

Save as disclosed above, none of the Directors had a material beneficial interest, whether directly or indirectly, in any significant contract to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2000, the interests of the Directors in the equity or debt securities of the Company and its associated corporations recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules"), were as follows:

### I. Ordinary shares (the "Shares")

#### (i) The Company

Name of Director	Type of Interest	Number of Shares Held
Colin Clive Hiles	Personal	28,000

#### (ii) Guangdong Investment Limited

Name of Director	Type of Interest	Number of Shares Held
Hou Bojian	Personal	150,000

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN SECURITIES (continued)

### 2. Options

#### Guangdong Investment Limited

Name of Director	Number of options held on 01/01/2000	Options granted during the year Date granted	Number granted	Period during which option is exercisable	Price per Share to be paid on exercise of option HK\$	Number of options exercised during the year	Number of options held on 31/12/2000
Hung Chiu Yin	100,000	—	—	*10/06/1997-09/06/2002	4.536	—	100,000
	150,000	—	—	19/08/1998-18/08/2003	2.892	—	150,000
Hou Bojian	500,000	—	—	*19/08/1998-18/08/2003	2.892	—	500,000

\* If the last day of any of the option periods is not a business day in Hong Kong, the option period shall end on the business day preceding that day.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests 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 SECURITIES

1. Pursuant to the resolutions passed by the shareholders of the Company on 8 May 1995, options were granted to certain Directors of the Company on 11 September 1995 to subscribe for Shares of the Company on or before 5:01 pm on the business day preceding the fifth anniversary of 11 September 1995, the expiry date of the said options. These options expired during the year.
2. Pursuant to the share option scheme of the Company's holding company, Guangdong Investment Limited ("GDI"), adopted on 2 February 1994 and which will expire on 1 February 2004, options were granted to certain Directors of the Company to subscribe for Shares of GDI at a price equal to the higher of (i) the nominal value of the Shares of GDI; and (ii) not less than 80% of the average of the closing prices of the Shares of GDI recorded on the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the options.

Further details of the options of GDI held by the Directors of the Company are set out in the section headed "Directors' Interests in Securities" of this report.

Other than the share option schemes outlined above, at no time during the year was the Company, its holding company or any of its subsidiaries and fellow 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.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following interests of 10% or more of the issued 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 of Shareholder	Number of Shares Held	Percentage Holding
Guangdong Yue Gang Investment Holdings Limited ("Guangdong Yue Gang") *	48,138,892*	57.16%*
GDH Limited ("GDH") *	48,138,892*	57.16%*
Guangdong Investment Limited ("GDI")	48,138,892	57.16%
Tsui Wai Hung, Paul	10,756,200	12.77%

\* As Guangdong Yue Gang is entitled to exercise or control the exercise of more than one-third of the voting powers in the general meeting of GDH, Guangdong Yue Gang is taken to have an interest in the Shares held by GDH.

As GDH is entitled to exercise or control the exercise of more than one-third of the voting powers in the general meeting of GDI, GDH is taken to have an interest in the Shares held by GDI.

The 48,138,892 Shares held by Guangdong Yue Gang, GDH and GDI represent the same interest and are therefore duplicated amongst Guangdong Yue Gang, GDH and GDI.

As at the date of this report, the following interests of 10% or more of the issued 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 of Shareholder	Number of Shares Held	Percentage Holding
Hi Sun Limited*	49,208,801*	58.43%*
Kui Man Chun**	49,208,801**	58.43%**
Rich Global Limited	49,208,801	58.43%
Tsui Wai Hung, Paul	10,756,200	12.77%

\* As at the date of this report, Hi Sun Limited (including its corporate interest as defined in Section 8 of the SDI Ordinance) was deemed under the SDI Ordinance to be interested in the 49,208,801 Shares held by Rich Global Limited which is its wholly-owned subsidiary.

\*\* As at the date of this report, Mr. Kui Man Chun was deemed under Sections 8(2), (3) and (4) of the SDI Ordinance to be interested in the 49,208,801 Shares held by Rich Global Limited in which he can exercise one-third or more of its voting rights by virtue of his beneficial holding of approximately 99.16% equity interest in Hi Sun Limited.

# REPORT OF THE DIRECTORS

---

## CONNECTED TRANSACTIONS/RELATED PARTY TRANSACTIONS

Further details of the connected transactions/related party transactions for the year are set out in note 31 to the financial statements. The Independent Non-Executive Directors of the Company had reviewed those connected transactions set out in notes 31(ii), (iii) and (iv) for which the Hong Kong Stock Exchange has granted a waiver from the relevant requirements of the Hong Kong Listing Rules and confirmed that:

- (a) each transaction was entered into in the ordinary and usual course of business;
- (b) each transaction was entered into either (i) on normal commercial terms, or (ii) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (c) each transaction was entered into either (i) in accordance with the terms of the agreements governing such transaction, or (ii) on terms no less favourable than terms available to or from independent third parties.

## POST BALANCE SHEET EVENTS

Further details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers accounted for 96% of the total sales of the Group and sales to the largest customer included therein amounted to 74%.

In the year under review, purchases from the five largest suppliers accounted for 37% of the total purchases of the Group and purchases from the largest supplier included therein amounted to 11%.

As far as the Directors are aware, neither the Directors, their associates, nor those shareholders which to the knowledge of the Directors own more than 5% of the Company's share capital had any interest in the five largest customers or suppliers.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Hong Kong Listing Rules, except that the Independent Non-Executive Directors are not appointed for specific terms, but are subject to retirement by rotation pursuant to the Company's Articles of Association.

The Board of Directors of the Company has established an Audit Committee in accordance with the Code of Best Practice since 1999. The Audit Committee meets at least twice a year, mainly to consider the nature and scope of audit performed, the effectiveness of the internal control systems and compliance with the relevant rules and regulations.

# REPORT OF THE DIRECTORS

---

## 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

**Li Huazhong**

*Chairman*

Hong Kong

30 March 2001