

## **DIRECTORS' REPORT**

The board of directors (the "Directors") present their report and the audited financial statements for the year ended 31 December 2000.

### **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The Company is an investment holding company. The Group's principal activities consist of the sale and marketing of gold jewellery products, and sale of computer scanners and computer equipment.

An analysis of the Group's turnover and contribution to operating loss for the year by principal activities and markets is set out in note 3 to the financial statements.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2000 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 13 to 51.

The Directors do not recommend the payment of a dividend.

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

### **FIXED ASSETS**

Details of the movements in fixed assets are set out in note 11 to the financial statements.

### **SHARE CAPITAL**

Details of the movements in share capital of the Company are set out in note 19 to the 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 52.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## **DIRECTORS' REPORT**

### **DIRECTORS**

The Directors during the year were:

Mr. SUN Ming

Mr. SO Sik

Mr. SO Kwok Hoo

Mr. NG Cheuk Fan

Mr. LI Jinlin

Mr. WU Jian Rong

Mr. CHAN Chun Keung

Mr. LAM Ming Sum

Mr. KEE Wah Sze

Mr. XU Meixing

(deceased on 17 December 2000)

Mr. Lam Ming Sum and Mr. Kee Wah Sze are independent non-executive directors and were appointed for a one year term expiring on 31 December 2001.

### **DIRECTORS' SERVICE CONTRACTS**

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

5

### **DIRECTORS' INTERESTS IN CONTRACTS**

Apart from those in notes 16 and 27 to the financial statements, no other contracts of significance in relation to the Company's business to which the Company or 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.

### **CONNECTED TRANSACTIONS**

Details of connected transactions are set out in notes 16 and 27 to the financial statements.

## **DIRECTORS' REPORT**

### **DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES**

At 31 December 2000, the interests of the directors and chief executive in the shares of the Company and its associated corporation, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company were as follows:

#### **Ordinary shares of HK\$0.10 each**

	<b>Number of shares</b>				<b>Total</b>
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Other Interests</b>	
Mr. So Sik	66,000,000	–	–	–	66,000,000

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

On 13 September 1990, the Company adopted a share option scheme under which the Directors might, at their discretion, granted options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares in respect of which options might be granted was limited to 10% of the share capital of the Company in issue from time to time. The scheme was to remain in force for a period of 10 years from the date of its adoption. None of the options were exercised and the options were lapsed during the year.

Apart from the above, at no time during the year was the Company or its subsidiaries a party to any arrangement which enable a director or chief executive of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.

### **SUBSTANTIAL SHAREHOLDERS**

The register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 31 December 2000, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

<b>Name of shareholders</b>	<b>Number of ordinary shares</b>
Brilliant Well Investment Limited	120,000,000 ( <i>Note 1</i> )
Fujian Enterprises (Holdings) Company Limited	120,000,000 ( <i>Note 1</i> )
Fujian Jewellery Import & Export Company Limited	4,800,000 ( <i>Note 2</i> )
Fujian Jewellery Import & Export Corporation	74,800,000 ( <i>Note 2</i> )

## **DIRECTORS' REPORT**

### **SUBSTANTIAL SHAREHOLDERS** *(continued)*

*Notes:*

- (1) Brilliant Well Investment Limited has direct beneficial interest in 120,000,000 shares of the Company, which is a wholly owned subsidiary of Fujian Enterprises (Holdings) Company Limited.
- (2) Fujian Jewellery Import & Export Company Limited has direct beneficial interest in 4,800,000 shares of the Company, which is a wholly owned subsidiary of Fujian Jewellery Import & Export Corporation.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

#### **Executive directors**

Mr. Sun Ming (age 51) Vice Chairman, was appointed as a director of the Company on 3 May 1999. Mr. Sun, a senior economist, graduated from the People's University of China with a Master degree. He was a researcher with the Research Office under the CCCCP Secretariat, general manager and director with Yingkou Open Economic Zone, vice mayor of Yingkou City, director with General Office of State Commission for Restructuring Economy, deputy general secretary of Fujian Provincial People's Government. With lengthy exposure in the field of economics, Mr. Sun has extensive experience in macroeconomic control and corporate management.

Mr. So Sik (age 45) had been appointed as Chairman of the Company on 18 December 1996. He graduated with a Bachelor degree in Economics from Anhui Financial Institute in The People's Republic of China ("China"). He is an ex-official of the Fujian Finance Bureau and has over 16 years of experience in financing business, trading business and property investment both in Hong Kong and China. He is also the director and substantial shareholder, with a deemed beneficial equity interest of approximately 23.17% as at 31 December 2000 of Fujian Group Limited, those securities are listed on The Stock Exchange of Hong Kong Limited.

Mr. So Kwok Hoo (age 47) had been appointed as Managing Director of the Company on 20 March 1998. He holds a Bachelor degree in Applied Science and Commerce obtained in Canada and has over 18 years of experience in marketing and property investment in Hong Kong.

Mr. Ng Cheuk Fan (age 40) was appointed as a director of the Company on 3 May 1999. Mr. Ng holds a Bachelor degree in Commerce obtained in Canada and a Master degree in Commerce obtained in Australia. He is a member of CPA Australia and has over 14 years' accounting experience with foreign government and local commercial and accounting firms.

## **DIRECTORS' REPORT**

### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

*(continued)*

#### **Executive directors** *(continued)*

Mr. Li Jinlin (age 52) was appointed as a director of the Company on 20 March 1998. Mr. Li graduated from Xiamen University and taught in the Faculty of Economics at Xiamen University afterwards. Mr. Li has worked for the Bank of China, Fujian Branch and the Bank of China Group, Hong Kong, and has over 18 years of experience in finance and banking in China and Hong Kong.

Mr. Wu Jian Rong (age 42) a representative of Fujian Jewellery Import & Export Corporation, was appointed as a director of the Company on 27 February 1997. Mr. Wu holds a Bachelor degree in Economics.

Mr. Chan Chun Keung (age 50) was appointed as a director of the Company on 3 May 1999. Mr. Chan has extensive experience in trading and investing in China.

Mr. Xu Meixing (age 48) Chairman, was appointed as a director of the Company on 3 May 1999. Mr. Xu passed away on 17 December 2000.

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

Mr. Lam Ming Sum (age 57) was appointed as an independent non-executive director of the Company on 16 February 1995. He has over 22 years of experience in the manufacturing and trading business. He is the managing director of Fuman (H.K.) Company Limited and acts as the chairman of various corporations in Hong Kong.

Mr. Kee Wah Sze (age 53) was appointed as an independent non-executive director of the Company on 11 April 1997. He is a partner of Messrs. Michael Cheuk, Wong & Kee and is a practising solicitor in Hong Kong for over 18 years specialised in both the commercial and conveyancing fields.

## DIRECTORS' REPORT

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	2000 %	1999 %
<b>Purchases</b>		
– the largest supplier	100%	37%
– five largest suppliers combined	100%	84%
<b>Sales</b>		
– the largest customer	28%	8%
– five largest customers combined	59%	26%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

### DISCLOSURE PURSUANT TO PARAGRAPH 3.3 OF PRACTICE NOTE 19 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

9

#### Advance to an affiliated company

As at 31 December 2000, the Company advanced a total sum of HK\$3,733,281 to its affiliated company, Real Wide Limited. A full provision of HK\$3,733,281 has been made in the financial statements.

The said advance was interest free, unsecured, repayable on demand and was funded by internal resources and/or bank borrowings and was made for the purpose of providing investment funds and/or working capital to the affiliated company.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance 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.

## **DIRECTORS' REPORT**

### **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 Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Directors 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 Audit Committee comprises two independent non-executive directors, namely Mr. Lam Ming Sum and Mr. Kee Wah Sze. Two meetings were held during the current financial year.

### **AUDITORS**

PricewaterhouseCoopers were appointed as auditors of the Group in 1998 upon the retirement of Ernst & Young.

Grant Thornton were appointed as auditors of the Group in 2001 in place of the resigning auditors, PricewaterhouseCoopers.

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the Annual General Meeting.

10

On behalf of the Board

**Sun Ming**

*Vice-Chairman*

Hong Kong, 20 April 2001