

# REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements of the Company for the period from April 1, 2000 to December 31, 2000.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of manufacturing, importing, marketing and distributing of a comprehensive range of office and household furniture for sale to customers mainly in Hong Kong and Mainland China.

## CHANGE OF NAME

Pursuant to a special resolution passed at a special general meeting held on January 22, 2001, the name of the Company was changed from Logic International Holdings Limited to China Resources Logic Limited.

## CHANGE OF FINANCIAL YEAR END DATE

As announced on August 30, 2000, the Board of Directors of the Company resolved to change the financial year end date of the Company from March 31 to December 31. The financial statements presented for the current period therefore cover the nine-month period from April 1, 2000 to December 31, 2000.

## RESULTS

The results of the Group for the period from April 1, 2000 to December 31, 2000 are set out in the consolidated income statement on page 22.

## FINANCIAL SUMMARY

A financial summary of the Group for the last six financial periods is set out on page 54.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the changes in share capital and share options during the period are set out in Notes 22 and 23 to the financial statements respectively.

Details of the change in authorised share capital subsequent to the balance sheet date are set out in Note 36(a) to the financial statements.

## RESERVES

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

## INVESTMENT PROPERTIES

During the period, the Group acquired an investment property amounting to approximately HK\$2,477,000 through the acquisition of a subsidiary.

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The investment properties of the Group were revalued as at December 31, 2000 as set out in Note 12 to the financial statements. The resulting deficit arising on revaluation, which amounted to approximately HK\$405,000, has been charged directly to the consolidated income statement.

### PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of its office premises situated in Hong Kong with a net book value amounting to approximately HK\$62,044,000.

Details of the movements in the property, plant and equipment of the Group during the period are set out in Note 13 to the financial statements.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at December 31, 2000 are set out in Note 37 to the financial statements.

### BORROWING

Both the Group and the Company had no outstanding borrowing as at December 31, 2000 and no interest was capitalised by the Group during the period.

### MAJOR CUSTOMERS AND SUPPLIERS

For the period from April 1, 2000 to December 31, 2000, the aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively represented less than 30% of the Group's total turnover and purchases.

### DIRECTORS AND SERVICE CONTRACTS

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

#### Executive Directors:

Mr. Song Lin ( <i>Chairman</i> )	(appointed on June 21, 2000)
Dr. Xu Zhiming ( <i>Managing Director</i> )	(appointed on June 21, 2000)
Mr. Yu Min	
Mr. Yan Biao ( <i>Deputy Chairman</i> )	(re-designated as Deputy Chairman on June 21, 2000 and resigned on March 12, 2001)
Mr. Huang Tieying	(resigned on June 21, 2000)
Mr. Kwok Siu Kai, Dennis	(resigned on June 21, 2000)

#### Non-executive Directors:

Mr. Ning Gaoning	(resigned as Deputy Chairman on June 21, 2000)
Mr. Keung Chi Wang, Ralph	(resigned on January 22, 2001)

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## Independent Non-executive Directors:

Mr. Wong Tak Shing  
Mr. Ong Kim Toh, Patrick

In accordance with Clauses 101 and 110(A) of the Company's Bye-laws, Mr. Ning Gaoning retires and, being eligible, offers himself for re-election. All other remaining Directors continue in office.

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.

The term of office for each Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts 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 period or at any time during the period.

## CONNECTED TRANSACTIONS

During the period, the Group had transactions with connected persons. Details of these transactions are summarised in Note 35 to the financial statements.

## DIRECTORS' INTERESTS IN SECURITIES

At December 31, 2000, the interests of the Directors in the shares 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:

Name of Director	Number of shares held	
	Personal interest	Family interest
Mr. Yu Min	1,750,000	—
Mr. Ong Kim Toh, Patrick	—	50,000

Save as disclosed above, as at December 31, 2000, none of the Directors or any of their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Directors had personal interests in respect of options granted under the existing share option scheme of the Company and its associated corporations within the meaning of SDI Ordinance as follows:

(i) Options granted under the Company's share option scheme:

Name of Director	Date of grant	Number of options shares				Outstanding at December 31, 2000
		Outstanding at April 1, 2000	Granted during the period	Exercised during the period		
Mr. Song Lin	September 21, 2000	—	8,000,000	—	8,000,000	Note (a)
Dr. Xu Zhiming	September 21, 2000	—	6,000,000	—	6,000,000	Note (a)
Mr. Yu Min	July 14, 1998	1,000,000	—	1,000,000	—	Note (b)
	November 18, 1998	750,000	—	750,000	—	Note (c)
	September 21, 2000	—	1,000,000	—	1,000,000	Note (d)
Mr. Yan Biao	September 21, 2000	—	6,000,000	—	6,000,000	Note (a)
Mr. Kwok Siu Kai, Dennis	July 14, 1998	1,000,000	—	1,000,000	—	Note (b)
	November 18, 1998	1,000,000	—	1,000,000	—	Note (c)

Notes:

- (a) The exercise price is HK\$0.590 per share and the exercisable period during which the options may be exercised is from September 21, 2000 to September 20, 2010.
- (b) The exercise price is HK\$0.174 per share and the exercisable period during which the options may be exercised is from January 15, 2000 to January 14, 2004.
- (c) The exercise price is HK\$0.185 per share and the exercisable period during which the options may be exercised is from May 19, 2000 to October 14, 2004.
- (d) The exercise price is HK\$0.590 per share and the exercisable period is divided into 3 tranches exercisable during the periods from September 21, 2001, 2002 and 2003 to September 20, 2010.

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- (ii) Options granted under the share option scheme of China Resources Enterprise, Limited, a fellow subsidiary of the Company:

Name of Director	Date of grant	Number of options shares				
		Outstanding at April 1, 2000	Granted during the period	Exercised during the period	Outstanding at December 31, 2000	
Dr. Xu Zhiming	October 13, 1999	1,500,000	—	—	1,500,000	Note (a)
Mr. Yan Biao	May 11, 1996	1,700,000	—	—	1,700,000	Note (b)
	November 17, 1997	1,000,000	—	—	1,000,000	Note (c)
	June 20, 2000	—	3,000,000	—	3,000,000	Note (d)
Mr. Ning Gaoning	May 11, 1996	3,300,000	—	—	3,300,000	Note (b)
	November 17, 1997	1,200,000	—	—	1,200,000	Note (c)
	June 20, 2000	—	3,300,000	—	3,300,000	Note (d)
Mr. Keung Chi Wang, Ralph	November 17, 1997	500,000	—	—	500,000	Note (c)
	June 20, 2000	—	2,000,000	—	2,000,000	Note (d)

Notes:

- (a) The exercise price is HK\$8.480 per share and the exercisable period is divided into 3 tranches exercisable during the periods from January 1, 2000, 2001 and 2002 to October 12, 2009.
- (b) The exercise price is HK\$3.856 per share and the exercisable period during which the options may be exercised is from May 11, 1996 to May 10, 2006.
- (c) The exercise price is HK\$14.300 per share and the exercisable period during which the options may be exercised is from November 17, 1997 to November 16, 2007.
- (d) The exercise price is HK\$7.190 per share and the exercisable period during which the options may be exercised is from June 20, 2000 to June 19, 2010.

Save as disclosed above, at no time during the period was the Company, its holding companies, its fellow subsidiaries or any of its 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 and none of the Directors or their spouse 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 period.

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## SUBSTANTIAL SHAREHOLDERS

As at December 31, 2000, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that the Company was notified of the following shareholders with an interest representing 10% or more of the issued share capital of the Company:

Name of substantial shareholders	Number of shares held
Gold Touch Enterprises Inc. ("Gold Touch")	297,229,604
Waterside Holdings Limited ("Waterside")	825,347,743
China Resources (Holdings) Company Limited ("CRH")	1,122,577,347
China Resources National Corp. ("CRN")	1,122,577,347

Gold Touch and Waterside directly hold 297,229,604 shares and 825,347,743 shares respectively in the Company. Gold Touch and Waterside are wholly owned subsidiaries of CRH, which in turn is a subsidiary of CRN.

## CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the share option scheme and the exercise of certain options as set out in Note 23 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at December 31, 2000 and there has been no exercise of convertible securities, options, warrants or similar rights during the period.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the period from April 1, 2000 to December 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.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in Note 36 to the financial statements.

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## AUDITORS

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

On behalf of the Board

**SONG LIN**

*CHAIRMAN*

Hong Kong, April 17, 2001