

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

### Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 38 to the financial statements.

### Subsidiaries and Associates

Details of the principal subsidiaries of the Company and associates of the Group as at 31st December, 2000 are set out in notes 38 and 15 to the financial statements, respectively.

### Results

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 28 of the annual report.

The directors do not recommend the payment of any dividend for the year.

### Bonus Issue of Warrants

The Directors of the Company will propose a bonus issue of warrants to shareholders of the Company whose names appear on the register of members of the Company on 6th June, 2001 in the proportion of one warrant for every five shares at the forthcoming extraordinary general meeting. The warrants will entitle the holders to subscribe for shares of HK\$0.40 each in the capital of the Company at an initial subscription price of HK\$0.40 per share (subject to adjustment). The exercise period for the warrants is from 11th June, 2001 to 10th June, 2003, both days inclusive. Relevant details will be further announced in due course.

### Major Customers and Suppliers

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

### Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 24 to the financial statements.

### Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 75 of the annual report.

### Investment Properties and Property, Plant and Equipment

The investment properties and leasehold land and buildings of the Group were revalued on 31st December, 2000. The resulting net surplus arising on revaluation of these properties attributable to the Group amounted to approximately HK\$5,045,000 of which approximately HK\$916,000 have been charged to the consolidated income statement and HK\$5,961,000 have been credited to the asset revaluation reserve, respectively.

During the year, the Group spent, in aggregate, approximately HK\$56,309,000 on the acquisition of property, plant and equipment for the purpose of expanding the Group's business.

Details of these and other movements in investment properties and property, plant and equipment of the Group and of the Company during the year are set out in notes 12 and 13 to the financial statements, respectively.

### Share Capital and Share Options

Details of the movements in the share capital and share options of the Company during the year are set out in notes 22 and 23 to the financial statements, respectively.

### Borrowings and Interest Capitalised

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities. A repayment analysis of these borrowings at 31st December, 2000 is set out in note 21 to the financial statements.

No interest was capitalised by the Group during the year.

### Directors

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

#### Executive directors:

Mr. Tang To, *Chairman*

Mr. Wong Yiu Ming

Ms. Zhou Junqing

(appointed on 26th May, 2000)

Mr. Won Sau Yan

(resigned on 20th January, 2000)

Mr. Cheng Sum Wing

(resigned on 20th January, 2000)

Mr. Huang Zhijian

(resigned on 26th May, 2000)

Mr. Ngan Man Fa

(resigned on 20th January, 2000)

### Directors (Continued)

#### Non-executive directors:

Mr. Tang Kwan, *Honorary Chairman*

Mr. Wu Jun, *Vice Chairman*

(appointed on 26th May, 2000)

Mr. Kan Wai Wah

Mr. Wang Junqing

(resigned on 26th May, 2000)

#### Independent non-executive directors:

Mr. Liang Shangli

Mr. Yip Jeffery

In accordance with Article 103 of the Company's Articles of Association, Messrs Tang To, Wong Yiu Ming and Kan Wai Wah retire and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

### Term of Office of Non-executive Directors and Independent Non-executive Directors

The non-executive directors and independent non-executive directors were not appointed for a specific term but subject to retirement by rotation and re-appointment in accordance with Article 103 of the Company's Articles of Association.

### Directors' and Chief Executive's Interests in Shares and Options

As at 31st December, 2000, according to the register required to be maintained under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the interests of directors, chief executive and their associates in the share capital of the Company (within the meaning of the SDI Ordinance) were as follows:

#### Interests in shares of the Company

Name of director	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Tang To	2,700,000	—	3,145,824 (Note 1)	—
Mr. Wong Yiu Ming	8,814,611	—	—	—
Ms. Zhou Junqing	—	20,000	—	—
Mr. Tang Kwan	—	—	270,086,411 (Note 2)	—
Mr. Kan Wai Wah	124,000	—	—	—

#### Notes:

- (1) As at 31st December, 2000, 3,145,824 shares of the Company were held by Ginta Company Limited which is beneficially owned as to 10% by the spouse of Mr. Tang To and 90% by a company which in turn is owned as to 50% by Mr. Tang To and 50% by his spouse.
- (2) Mr. Tang Kwan is deemed to be interested in the block of 270,086,411 shares of the Company under the SDI Ordinance through his beneficial interests in Codo Development Limited ("Codo"). As at 31st December, 2000, Codo through its wholly-owned subsidiary, Cosmos Machinery (Holdings) Limited ("Cosmos Holdings"), a substantial shareholder of the Company, was the beneficial owner of 270,086,411 shares of the Company. Codo is incorporated in Hong Kong and is owned as to 25.06% by Keepsound Investments Limited, a Hong Kong company controlled by The Saniwell Trust, a trust established for the benefit of Mr. Tang Kwan's family; and as to 30.25% by Friendchain Investments Limited, a Hong Kong company controlled as to 57.42% by The Saniwell Trust.

## Directors' and Chief Executive's Interests in Shares and Options (Continued)

### Interest in share options of the Company

Pursuant to the share option scheme of the Company adopted on 13th June, 1997, share options were granted to certain directors of the Company which enable them to subscribe for shares in the Company at an exercise price of HK\$0.5632 per share.

Details of the movement in these share options during the year are as follows:

Name of director	Number of share options outstanding as at 1st January, 2000	Exercised during the year	Number of share options outstanding as at 31st December, 2000
Mr. Tang To	2,700,000	(2,700,000)	—

Details of the share option scheme are set out in note 23 to the financial statements.

Other than as disclosed above and certain nominee shares held in trust for the Group, none of the directors, chief executive or their associates had any other interests in the share capital of the Company or any associated corporations as defined in the SDI Ordinance as at 31st December, 2000.

### Substantial Shareholders

Other than the interests disclosed above in respect of certain directors and their associates, details of the interests representing 10% or more of the issued share capital of the Company as at 31st December, 2000 recorded in the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance are as follows:

Name of shareholder	Number of shares held		Percentage of issued share capital
	Direct interest	Deemed interest	
Cosmos Holdings	115,446,000	154,640,411 (Note 1)	42.15
Ms. Law Kit Fong	—	270,086,411 (Note 2)	42.15
China Resources (Holdings) Company Limited ("CRC")	148,576,081	5,650,325 (Note 3)	24.07

### Substantial Shareholders (Continued)

Notes:

- (1) Cosmos Holdings is interested in 154,640,411 shares of the Company through its subsidiary, Tai Shing Agencies Limited.
- (2) Ms. Law Kit Fong is deemed to be interested in the block of 270,086,411 shares of the Company through her beneficial interests in Codo. As at 31st December, 2000, Codo through its wholly-owned subsidiary, Cosmos Holdings, was the beneficial owner of 270,086,411 shares of the Company. Codo is a Hong Kong company and is owned as to 8.37% by Elegant Power Enterprises Limited (“Elegant Power”), a company controlled by Ms. Law Kit Fong; as to 30.25% by Friendchain Investments Limited, a Hong Kong company controlled as to 40% by Elegant Power; and as to 16.09% by Yik Wan Company Limited, a Hong Kong company in which Ms. Law Kit Fong’s late spouse, Mr. Kan Woon Cheung, had a 14.29% beneficial holding.
- (3) CRC is interested in 5,650,325 shares of the Company through its subsidiary, China Resources Machinery Company Limited.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31st December, 2000.

### Directors’ Interests in Contracts of Significance and Connected Transactions

During the year, the Group had the following connected transactions (as defined in Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited):

- (1) On 29th July, 2000, Welltec Industrial Equipment Limited (“WIEL”), a wholly-owned subsidiary of the Company, and Dong Hua Machinery Limited (“Dong Hua”), a non wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Dongguan Fucheng Hongkan Industrial Development Company (the “Vendor”), a substantial shareholder of Dongguan Cosmos Machinery Limited (“DG Cosmos”). Pursuant to the agreement, WIEL and Dong Hua acquired a capital contribution of HK\$3,176,471 and HK\$1,323,529 respectively, representing 10.59% and 4.41% respectively of the total registered capital of HK\$30,000,000 as at 31st December, 1999 in DG Cosmos from the Vendor for a consideration of RMB4,294,822.96 (about HK\$4,160,168) and RMB1,790,609.57 (about HK\$1,707,588) respectively.
- (2) On 20th December, 2000, Fair Friend (Hong Kong) Enterprise Co., Limited (“Fair Friend”), a wholly-owned subsidiary of the Company, entered into an agreement with Beijing EXTECH Software Technology Center (“the Center”) and the Port of Tian Jin Authority (the “Port Authority”) for disposals by Fair Friend to the Center and the Port Authority of 13.33% and 46.67% respectively of the entire shareholding interest in Beijing EXTECH Industry Automation Technology Co., Ltd. (“Beijing Extech”) for a consideration of RMB2,000,000 (about HK\$1,879,213) and RMB7,000,000 (about HK\$6,577,244) respectively. On the same date, Fair Friend entered into a second agreement with the Center’s shareholders for an acquisition from the Center’s shareholders of 10% of the entire shareholding interest in the Center at a total consideration of RMB500,000 (about HK\$467,290). The Center is a substantial shareholder of Beijing Extech holding 40% of the entire shareholding interest in Beijing Extech, which was a subsidiary of the Company. Further, two of the Center’s shareholders were directors of Beijing Extech. The second agreement was not completed due to failure in obtaining issuance by the relevant government management bodies of certification for the capacity of Fair Friend to acquire the shareholding.

## Directors' Interests in Contracts of Significance and Connected Transactions

*(Continued)*

The directors confirm that the above transactions in respect of the year ended 31st December, 2000 were approved by the independent non-executive directors. They were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties and are fair and reasonable so far as the shareholders of the Company are concerned.

Other than as disclosed above, no contracts of significance to which the Company or any of its holding companies, subsidiaries or fellow 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.

## Directors' and Chief Executive's Rights to Acquire Shares or Debt Securities

Other than as disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow 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 debt securities, including debentures, of the Company or any other body corporate; and none of the directors, 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 rights.

## Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

## Code of Best Practice

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the non-executive directors and independent non-executive directors were not appointed for a specific term but subject to retirement by rotation and re-appointment in accordance with the Company's Articles of Association.

### Joint Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu and Messrs. Ting Ho Kwan & Chan as joint auditors.

On behalf of the Board

**TANG To**

*Chairman*

Hong Kong, 23rd April, 2001