

The directors hereby present their report together with the audited accounts for the year ended 31st December 2000.

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

The principal activity of the company is investment holding. The activities of the subsidiaries are shown in note 13 to the accounts.

The analysis of the group's turnover and contribution to operating profit for the year by principal activities and by market segments is set out in note 2 to the accounts.

## **RESULTS AND APPROPRIATIONS**

The results of the group for the year ended 31st December 2000 are set out on page 15.

The directors do not recommend the payment of a final dividend.

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of the results, net assets and capital and reserves of the group for the last five financial years is set out on page 3.

## **RESERVES**

Movements in the reserves of the group and the company during the year are set out in note 28 to the accounts.

## **FIXED ASSETS**

Details of the movements in fixed assets are shown in note 12 to the accounts.

## **PRINCIPAL PROPERTY INTERESTS HELD**

Details of the group's principal property interests held are set out on pages 61 and 62.

## **SHARE CAPITAL**

Details of the movements in the share capital of the company are shown in note 27 to the accounts.

## DIRECTORS

The names of the directors serving during the year and at the date of this report are set out on page 2.

In accordance with articles 94 and 95 of the company's Articles of Association, Messrs Chen Gui Zong and Ip Kai Ming retire by rotation at the forthcoming annual general meeting, being eligible, offer themselves for re-election.

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 by the company within one year without payment of compensation.

## DIRECTORS' INTERESTS

No 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.

At no time during the year was the company or 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.

At 31st December 2000 the interests of the directors in the shares of the company as recorded in the register kept by the company under section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

Name	Number of ordinary shares held
Chen Zong Lin	847,200

Except for the personal interest of the director disclosed above, none of the directors and their associates had any other personal, family, corporate and other interests in the share capital of the company and its associated corporations at 31st December 2000.

## SUBSTANTIAL SHAREHOLDERS

At 31st December 2000 the register of substantial shareholders kept by the company under section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that Samba Limited held 144,885,000 shares in the share capital of the company. Papilio Inc. and Vigour Fine Company Limited ("Vigour Fine") which were both substantial shareholders of Samba Limited were deemed to be interested in such shares. In addition, Papilio Inc. and Vigour Fine were also directly interested in 24,240,000 and 46,195,600 shares respectively in the company. Fujian International Trust & Investment Corporation, the controlling shareholder of Vigour Fine, was deemed to hold the total direct and indirect interests of Vigour Fine in the company.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **MANAGEMENT CONTRACTS**

During the year, the company renewed a management agreement with Vigour Fine, a substantial shareholder of the company, whereby Vigour Fine provides management services to the company which include the provision of directors to the board of directors of the company. The agreement is renewable on an annual basis. A management fee of HK\$1,880,000 was paid to Vigour Fine during the year.

Messrs Wang Xi Chao and Chen Zong Lin have interests in the above transaction as directors of Vigour Fine.

Except for the above, no other 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**

Brief biographical details in respect of the directors and senior management are set out on pages 8 and 9.

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the group purchased less than 30% of its products and services from its 5 largest suppliers and sold less than 30% of its products and services to its 5 largest customers.

## **CONNECTED TRANSACTIONS**

Details of connected transactions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) entered into by the group are included in notes 6(a), 6(b) and 13 to the accounts on related party transactions.

## **DISCLOSURE UNDER PRACTICE NOTE 19**

Details of the financial assistance and guarantees provided by the company and/or its subsidiaries to the company's affiliated companies disclosed pursuant to the Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as at the latest practicable date at 31st December 2000 are included in notes 14, 15, 19 and 29 and the Appendix 1 of the company's 2000 annual report.

## AUDIT COMMITTEE

The company has established an audit committee comprising two independent non-executive directors, namely Messrs Robert Tsai To Sze and Ip Kai Ming, with written terms of reference. The principal activities of the Audit Committee include the review and supervision of the group's financial reporting process and internal controls.

## CORPORATE GOVERNANCE

During 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, except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the company's Articles of Association.

## POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the company are shown in Notes 13(a) and 16(b) to the accounts.

## AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers was appointed as auditors of the company in place of Price Waterhouse in 1999 following the merger of Price Waterhouse with Coopers & Lybrand.

On behalf of the Board

**WANG XI CHAO**

*Chairman*

HONG KONG, 24th April 2001