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The directors herein present their report and the audited financial statements of the Company for the period from 7 December 2000 (date of incorporation) to 30 June 2001 and the Group for the year ended 30 June 2001.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 December 2000 under the Companies Law (2000 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 8 April 2001. Further details of the Group Reorganisation and of the subsidiaries acquired pursuant thereto are set out in notes 1, 14 and 20 to the financial statements.

On 2 May 2001, the shares of the Company were listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's consolidated turnover and contribution to profit from operating activities by principal activity and geographical area for the year ended 30 June 2001 is as follows:

	Turnover		Contribution to profit from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Manufacture and sale of:				
Lubricants	107,350	75,988	36,214	22,633
Anti-corrosive coating	36,536	29,661	12,669	10,592
Additive	1,877	1,349	609	336
	<u>145,763</u>	<u>106,998</u>	<u>49,492</u>	<u>33,561</u>
By geographical area:				
The People's Republic of China	119,950	91,317	40,281	29,012
Elsewhere in Asia	8,916	4,791	3,067	1,403
Europe and North America	16,897	10,890	6,144	3,146
	<u>145,763</u>	<u>106,998</u>	<u>49,492</u>	<u>33,561</u>

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RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 48.

The directors recommend the payment of a final dividend of HK0.75 cent per ordinary share in respect of the year ended 30 June 2001 to shareholders on the register of members on 15 November 2001. This recommendation has been incorporated in the financial statements.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/pro forma combined results and of the assets and liabilities of the Group prepared on the bases set out in notes 1 and 2 below:

RESULTS

	2001 HK\$'000	Year ended 30 June		
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TURNOVER	<u>145,763</u>	<u>106,998</u>	<u>92,076</u>	<u>85,516</u>
PROFIT FROM OPERATING ACTIVITIES	<u>49,492</u>	<u>33,561</u>	<u>27,318</u>	<u>24,458</u>
Finance costs	<u>(7)</u>	<u>—</u>	<u>—</u>	<u>—</u>
PROFIT BEFORE TAX	<u>49,485</u>	<u>33,561</u>	<u>27,318</u>	<u>24,458</u>
Tax	<u>(7,871)</u>	<u>(4,064)</u>	<u>(3,215)</u>	<u>(2,957)</u>
PROFIT BEFORE MINORITY INTERESTS	<u>41,614</u>	<u>29,497</u>	<u>24,103</u>	<u>21,501</u>
Minority interests	<u>(1,926)</u>	<u>(1,537)</u>	<u>(1,268)</u>	<u>(1,094)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u><u>39,688</u></u>	<u><u>27,960</u></u>	<u><u>22,835</u></u>	<u><u>20,407</u></u>

ASSETS AND LIABILITIES

	2001 HK\$'000	At 30 June		
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Total assets	<u>149,015</u>	<u>77,640</u>	<u>59,864</u>	<u>50,141</u>
Total liabilities	<u>(36,326)</u>	<u>(23,962)</u>	<u>(19,183)</u>	<u>(28,063)</u>
Minority interests	<u>(6,626)</u>	<u>(4,378)</u>	<u>(2,841)</u>	<u>(1,573)</u>
Net assets	<u><u>106,063</u></u>	<u><u>49,300</u></u>	<u><u>37,840</u></u>	<u><u>20,505</u></u>

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SUMMARY FINANCIAL INFORMATION (continued)

Notes:

1. The summaries of the pro forma combined results of the Group for the years ended 30 June 1998, 1999 and 2000 have been extracted from the Company's prospectus dated 18 April 2001. Such summaries were prepared from the audited financial statements of the companies now comprising the Group as if the current structure of the Group had been in existence throughout these financial years and were presented on the basis set out in note 3 to the financial statements. The consolidated results of the Group for the year ended 30 June 2001 are set out on page 25 of the financial statements.
2. To date, the only published audited consolidated balance sheet of the Group prepared is that as at 30 June 2001. The Group's pro forma combined balance sheets as at 30 June 1998, 1999 and 2000 have been extracted from the published financial statements for the year ended 30 June 2001, prepared on the basis as if the Group had been in existence as at 30 June 1998, 1999 and 2000. The Group's consolidated balance sheet as at 30 June 2001 is set out on page 27 of the financial statements.

FIXED ASSETS

Details of the movements in the Group's fixed assets are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

BORROWINGS

Details of the Group's borrowings at the balance sheet date are set out in note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and details of the Company's share options during the period from 7 December 2000 (date of incorporation) to 30 June 2001 (the "Period"), together with the reasons therefor, are set out in note 20 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$91,391,000. Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the law of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 31% of the total sales for the year and sales to the largest customer included therein amounted to approximately 8%.

Purchases from the Group's five largest suppliers accounted for approximately 54% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 13%.

None of the directors of the Company, any of their associates or shareholders (which, to the best knowledge of the directors own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the Period and up to the date of this report were as follows:

Executive directors

Mr. Wang Dan Hui	(appointed on 21 December 2000)
Mr. Wang Hailou	(appointed on 21 December 2000)
Mr. Wu Chieho Joseph	(appointed on 21 December 2000)
Mr. Ng Ming Wah	(appointed on 21 December 2000)

Independent non-executive directors

Mr. Feng Jianming	(appointed on 28 February 2001)
Mr. Ma Wing Yun Bryan	(appointed on 28 February 2001)
Mr. Meng Fanxi	(appointed on 28 February 2001)

In accordance with the Company's articles of association, Mr. Wu Chieho Joseph, Mr. Ng Ming Wah, Mr. Feng Jianming, Mr. Ma Wing Yun Bryan and Mr. Meng Fanxi will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors is currently appointed for a term of two years commencing from 28 February 2001.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and senior management of the Group are set out on pages 14 to 16 of the annual report.

DIRECTORS' REMUNERATION AND THE SIX HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors of the Company and of the six highest paid employees of the Group are set out in notes 6 and 7 to the financial statements, respectively.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer's costs charged to the profit and loss account for the year are set out in notes 3 and 5 to the financial statements, respectively.

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DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 8 April 2001, which will continue thereafter until terminated by either party giving not less than three months' notice in writing.

Save as disclosed above, no director 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 other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2001, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of directors	Notes	Nature of interest	Number of shares held
Mr. Wang Dan Hui	1	Corporate	299,200,000
Mr. Wu Chieho Joseph	2	Corporate	130,000,000
Mr. Wang Hailou	3	Corporate	68,000,000
Mr. Ng Ming Wah	4	Corporate	62,000,000

Notes:

1. These shares are owned by Noble Resources Investments Limited, a company incorporated in the British Virgin Islands (the "BVI"). The entire share capital of Noble Resources Investments Limited is beneficially owned by Mr. Wang Dan Hui.
2. These shares are owned by Success Faith International Limited, a company incorporated in the BVI. The entire share capital of Success Faith International Limited is beneficially owned by Mr. Wu Chieho Joseph.
3. These shares are owned by Clever China Management Limited, a company incorporated in the BVI. The entire share capital of Clever China Management Limited is beneficially owned by Mr. Wang Hailou.
4. These shares are owned by Business Market Limited, a company incorporated in the BVI. The entire share capital of Business Market Limited is beneficially owned by Mr. Ng Ming Wah.

Save as disclosed above, none of the directors, chief executives or their associates had any interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms of the Company's share option scheme (the "SO Scheme") adopted by the Company on 8 April 2001, the board of directors of the Company may, at their discretion, grant options to the employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company. Details of the SO Scheme are set out in note 20 to the financial statements. The SO Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 2 May 2001. No options were granted to directors pursuant to the SO Scheme since the listing of the Company's shares on the Stock Exchange on 2 May 2001.

Other than in connection with the Group Reorganisation in preparation for the Company's initial public offering, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Other than in connection with the Group Reorganisation in preparation for the Company's initial public offering, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Period.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name		Number of shares held	Percentage of holding
Noble Resources Investments Limited	Note	299,200,000	37.4%
Success Faith International Limited	Note	130,000,000	16.3%

Note: These interests have also been disclosed as "Corporate Interests" of Mr. Wang Dan Hui and Mr. Wu Chieho Joseph, in the section headed "Directors' interests in shares" above, where further details of Noble Resources Investments Limited and Success Faith International Limited are given.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

RELATED PARTY TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 25 to the financial statements. Save as disclosed therein, there were no other transactions required to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company's shares were listed on the Main Board of the Stock Exchange on 2 May 2001. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that date.

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POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 26 to the financial statements.

CODE OF BEST PRACTICE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the “Code of Best Practice”), the Company set up an Audit Committee on 8 April 2001, with written terms of reference, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal control systems. The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Feng Jianming, Mr. Ma Wing Yun Bryan and Mr. Meng Fanxi. The Group’s consolidated financial statements for the year and the Company’s financial statements for the Period have been reviewed by the Audit Committee, who are of the opinion that such statements comply with applicable accounting standards and requirements and that adequate disclosures have been made.

In the opinion of the directors, the Company has complied with the Code of Best Practice since the listing of the Company’s shares on the Stock Exchange on 2 May 2001.

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

Wang Dan Hui

Chairman and Executive Director

Hong Kong

18 October 2001