

REPORT OF THE DIRECTORS

For the year ended 31st December 2000

(Expressed in Hong Kong Dollars)

The Directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development, property investment, hotel and restaurant operation, trading of building materials, share investment, provision of management and maintenance services, property management and insurance agency.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement. Dividends paid and proposed for the year are set out in note 11 to the financial statements.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 25 to the financial statements.

FIVE YEARS' 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 in Appendix II.

FIXED ASSETS

The movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

Details of the major interests in properties of the Group at 31st December 2000 are set out in Appendix I.

SHARE CAPITAL

The movements in share capital of the Company during the year are set out in note 24 to the financial statements.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

EXECUTIVE SHARE OPTION SCHEME

Details of the outstanding share options granted under the Executive Share Option Scheme are set out in note 24(c) to the financial statements.

DIRECTORS

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

Mr. LO Ying Shek

Madam LO TO Lee Kwan

Dr. LO Ka Shui

Mr. LO Kai Shui

Mr. Brian Shane McELNEY*

Mr. CHENG Hoi Chuen, Vincent*

Professor WONG Yue Chim, Richard*

Mr. LO Hong Sui, Antony

Madam LAW Wai Duen

Mr. LO Hong Sui, Vincent

Dr. LO Ying Sui, Archie

Mr. KAN Tak Kwong

* Independent Non-Executive Director

In accordance with the Company's Bye-Laws, Madam LO TO Lee Kwan, Mr. LO Hong Sui, Antony and Dr. LO Ying Sui, Archie shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' INTERESTS IN SHARES AND BONDS OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December 2000, the interests of the Directors and their associates in the securities of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance") were as follows:

(A) SHARES

The company

Name of Director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
LO Ying Shek	4,897,555	–	–	–	4,897,555
LO TO Lee Kwan	–	–	–	–	–
LO Ka Shui	5,423,110	–	6,507,441	321,595,042	333,525,593
			Note (6)	Note (1)	
LO Kai Shui	–	–	658,459	321,595,042	322,253,501
			Note (7)	Note (1)	
Brian Shane McELNEY	14,000	–	–	–	14,000
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000
WONG Yue Chim, Richard	–	–	–	–	–
LO Hong Sui, Antony	2,676	–	–	–	2,676
LAW Wai Duen	233,924	1,455	–	321,595,042	321,830,421
				Note (1)	
LO Hong Sui, Vincent	272	–	–	–	272
LO Ying Sui, Archie	1,178,547	3,662	300,000	321,595,042	323,077,251
			Note (8)	Note (1)	
KAN Tak Kwong	308,385	–	–	–	308,385

DIRECTORS' INTERESTS IN SHARES AND BONDS OF THE COMPANY AND ASSOCIATED CORPORATIONS (Cont'd)**(A) SHARES (Cont'd)*****Subsidiary company*****Century Faith Investment Limited**

Name of Director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
LO Hong Sui, Vincent	–	–	2	–	2
			Note (9)		

(B) US\$125 MILLION 3.25% CONVERTIBLE GUARANTEED BONDS DUE ON 3RD APRIL 2001***Subsidiary company*****Great Eagle Finance (Cayman) Limited**

Name of Director	Nominal amount expressed in US\$				Total
	Personal interests	Family interests	Corporate interests	Other interests	
LO Ka Shui	–	–	–	6,450,000	6,450,000
				Note (5)	
LO Kai Shui	–	–	–	6,450,000	6,450,000
				Note (5)	
LAW Wai Duen	–	–	–	6,450,000	6,450,000
				Note (5)	
LO Ying Sui, Archie	–	–	–	6,450,000	6,450,000
				Note (5)	

DIRECTORS' INTERESTS IN SHARES AND BONDS OF THE COMPANY AND ASSOCIATED CORPORATIONS (Cont'd)

As at 31st December 2000, the Directors who held share options granted under the Executive Share Option Scheme of the Company are as follows:

Name of Director	No. of shares comprising the share options	Date granted	Period during which rights exercisable	Subscription price per share (\$)
LO Ying Shek	150,000	08.05.1996	09.05.1998 – 08.05.2001	19.584
	120,000	15.04.1997	16.04.1999 – 15.04.2002	21.519
	300,000	22.01.1998	23.01.2000 – 22.01.2003	6.912
	120,000	12.03.1999	13.03.2001 – 12.03.2004	7.020
	130,000	14.02.2000	15.02.2002 – 14.02.2005	10.116
LO Ka Shui	150,000	08.05.1996	09.05.1998 – 08.05.2001	19.584
	120,000	15.04.1997	16.04.1999 – 15.04.2002	21.519
	300,000	22.01.1998	23.01.2000 – 22.01.2003	6.912
	120,000	12.03.1999	13.03.2001 – 12.03.2004	7.020
	130,000	14.02.2000	15.02.2002 – 14.02.2005	10.116
LO Kai Shui	150,000	08.05.1996	09.05.1998 – 08.05.2001	19.584
	120,000	15.04.1997	16.04.1999 – 15.04.2002	21.519
	300,000	22.01.1998	23.01.2000 – 22.01.2003	6.912
	120,000	12.03.1999	13.03.2001 – 12.03.2004	7.020
	130,000	14.02.2000	15.02.2002 – 14.02.2005	10.116
KAN Tak Kwong	60,000	08.05.1996	09.05.1998 – 08.05.2001	19.584
	50,000	15.04.1997	16.04.1999 – 15.04.2002	21.519
	450,000	22.01.1998	23.01.2000 – 22.01.2003	6.912
	25,000	12.03.1999	13.03.2001 – 12.03.2004	7.020
	50,000	14.02.2000	15.02.2002 – 14.02.2005	10.116

DIRECTORS' INTERESTS IN SHARES AND BONDS OF THE COMPANY AND ASSOCIATED CORPORATIONS (Cont'd)

Notes:

- (i) Options granted in the years of 1996 to 1999 were granted under the old Executive Share Option Scheme which expired on 16th March 1999. Options granted in 2000 were granted under a new Executive Share Option Scheme adopted on 10th June 1999.
- (ii) Consideration paid for each grant of option was \$1.00.

During the year, none of the Directors exercised any share options to subscribe for shares of the Company.

Other than as disclosed above, none of the Directors nor their associates had any interest in any securities of the Company or its associated corporations as defined in the SDI Ordinance. Furthermore, none of the Directors nor any of their spouses or children under the age of 18 were granted any right to subscribe for the securities of the Company or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 31st December 2000, the following Shareholders, not being Directors of the Company, were recorded in the register kept pursuant to Section 16(1) of SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company:

Name of Shareholder	Number of shares	Notes
LO Hung Suen	321,595,042	(1)
LO Wai Ki, Gwen	324,614,168	(1)
Shui Sing Company, Limited	80,203,616	(2)
Galtee Investment Limited	91,879,378	(2)
Shui Sing Holdings Limited	272,318,218	(3)
Shui Sing (BVI) Limited	272,318,218	(3)
HSBC Group*	321,869,042	(4)

* HSBC Group included HSBC Holdings plc and its subsidiaries, namely, HSBC Finance (Netherlands), HSBC Holdings B.V., HSBC Investment Bank Holdings B.V. and HSBC International Trustee Limited.

Notes:

- (1) The 321,595,042 shares of Dr. LO Ka Shui, Mr. LO Kai Shui, Madam LAW Wai Duen, Dr. LO Ying Sui, Archie and Madam LO Hung Suen and 321,595,042 of the 324,614,168 shares of Madam LO Wai Ki, Gwen were the same parcel of shares.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY (*Cont'd*)

- (2) The 80,203,616 shares held by Shui Sing Company, Limited and the 91,879,378 shares held by Galtee Investment Limited duplicated with the interests described in Note (3). Both of these companies were direct wholly-owned subsidiaries of Shui Sing (BVI) Limited which was a direct wholly-owned subsidiary of Shui Sing Holdings Limited.
- (3) These 272,318,218 shares held by Shui Sing Holdings Limited and Shui Sing (BVI) Limited were the same parcel of shares and were duplicated in the interests described in Note (1).
- (4) 321,595,042 shares of the 321,869,042 shares were the same parcel of shares as described in Note (1). HSBC International Trustee Limited ("HKIT"), as trustee of a discretionary trust in which the persons mentioned in Note (1) are the beneficiaries, were interested and/or deemed to be interested in the said 321,595,042 shares. HKIT was also the trustee of other discretionary trusts which was holding 274,000 shares.
- (5) The US\$6,450,000 3.25% convertible bonds of Dr. LO Ka Shui, Mr. LO Kai Shui, Madam LAW Wai Duen and Dr. LO Ying Sui, Archie were the same parcel of convertible bonds in which the discretionary trust mentioned in Note (4) was deemed to be interested.
- (6) The 6,507,441 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (7) The 658,459 shares were held by a company in which Mr. LO Kai Shui had entire interest.
- (8) The 300,000 shares were held by a company in which Dr. LO Ying Sui, Archie had entire interest.
- (9) The 2 shares in Century Faith Investment Limited were held by a company in which Mr. LO Hong Sui, Vincent was interested.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under connected transactions below, 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 year or at any time during the year.

CONNECTED TRANSACTIONS

Acquisition of additional interest in Citibank Plaza Joint Venture and sale of office premises in Great Eagle Centre

On 30th June 2000, the Group completed the acquisition from Manhattan Garments Holdings Limited of the latter's 10% interest in the Citibank Plaza consortium and the sale to Manhattan of approximately 92,000 sq. ft. of office premises in the Great Eagle Centre. Details of the transactions were set out in the section "Connected Transactions" of the Report of the Directors contained in the 1999 Annual Report.

Mongkok Urban Renewal Scheme

As disclosed in the 1998 and 1999 annual reports, Renaissance City Development Company Limited appointed, under normal commercial terms, various companies of the Sun Fook Kong Group (the "SFK Group") as contractors to carry out certain demolition and foundation works for the Mongkok Urban Renewal Scheme. The Contractor is owned as to approximately 96.15% by and controlled by certain members of the family of Mr LO Ying Shek and their related trusts and companies (the "LYS Group"). Since the LYS Group also beneficially owns a controlling interest in the issued shares of the Company, the abovementioned transactions constituted connected transactions of the Company and announcements were accordingly made in 1998 and 1999 respectively.

During the year, an aggregate sum of approximately HK\$65 million (1999: HK\$30 million) was paid to the SFK Group for work done under the demolition and foundation works contracts.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Except for the Executive Share Option Scheme established by the Company, at no time during the year was the Company 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.

SERVICE CONTRACTS

There is no service contract with a Director which is not determinable by the Company within one year without payment of compensation (other than statutory compensations).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there is no statutory restriction against such rights under the laws in Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of total sales and purchases respectively.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st December 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.

DONATIONS

Donations made by the Group for charitable and other purposes amounted to \$298,091.

AUDITORS

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

On behalf of the Board

LO Ying Shek

Chairman

Hong Kong, 13th March 2001