

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are infrastructure investment, property investment and development, building construction and civil engineering, high technology and environmental protection business.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is set out in note 2 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2000 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 26 and 27.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2000 (1999: Nil).

SHARE CAPITAL

Details of the movements in share capital during the year are set out in note 22 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 9 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the long-term borrowings are set out in note 24 to the financial statements. Interest and other borrowing costs capitalised by the Group during the year are set out in note 4 to the financial statements.

RESERVES

Details of movements in reserves during the year are set out in note 23 to the financial statements.

DONATIONS

The donations made by the Group during the year amounted to HK\$58,000 (1999: HK\$37,000).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 69 and 70.

DIRECTORS

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

Executive Directors

Mr. Wei Jiafu (<i>Chairman</i>)	(appointed on 28th June, 2000)
Mr. Liu Guoyuan (<i>Vice-Chairman</i>)	(appointed on 1st November, 2000)
Mr. Kwong Che Keung, Gordon (<i>Managing Director</i>)	
Mr. Zhou Liancheng	(appointed on 15th September, 2000)
Mr. Zhang Yongjian	
Mr. Dong Shu Sen	
Mr. Chen Zhongbiao	(resigned on 28th June, 2000)
Mr. Dong Jiufeng	(resigned on 1st November, 2000)
Mr. Zhu Guangyun	(resigned on 15th September, 2000)
Mr. Zuo Wei	(resigned on 1st December, 2000)

Independent Non-Executive Directors

Mr. Chan Cheong Foon, Andrew
Mr. Alexander Reid Hamilton

In accordance with Bye-laws 99 and 102B of the Company's Bye-laws, all the remaining directors of the Company retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

◀ DIRECTORS' INTERESTS IN CONTRACTS

None of the directors of the Company had any beneficial interests, whether directly or indirectly, in any significant contract to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party at the balance sheet date or at any time during the year.

◀ CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the following connected transactions of the Group require disclosure in the annual report of the Company. A summary of significant related party transactions, which also constitute connected transactions, is also set out in note 29 to the financial statements.

1. Unsecured loan amounted to a maximum of RMB66 million during the year, with interest rate not less than the financial institutes' basic lending rate officially announced by People's Bank of China, was granted by Glorious World International Limited, a wholly-owned subsidiary of the Company, to Shanghai COSCO Honour Property Development Limited, a 85% owned subsidiary of the Company, to finance a property development project, Fragrant Garden in Shanghai. The loan was fully repaid by the year-end.
2. On 18th April, 2000, Top Expert Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an agreement to subscribe for 1,000,000 new shares of COSCO Network Limited, representing 0.91% interest in the enlarged issued share capital of COSCO Network Limited at a consideration of US\$1,000,000 (equivalent to approximately HK\$7,775,000). COSCO Network Limited is a subsidiary of COSCO, the ultimate holding company of the Company.
3. On 7th March, 2001, a tenancy agreement was entered into between Wing Thye Holdings Limited, a wholly-owned subsidiary of the Company, as landlord and COSCO Pacific Management Company Limited, a wholly-owned subsidiary of COSCO Pacific Limited ("COSCO Pacific"), as tenant, for the leasing of a portion of 49th Floor of the COSCO Tower as the head office of COSCO Pacific for a term of three years commencing with retrospective effect from 4th December, 2000 at a monthly rental of HK\$465,023.20 (exclusive of air conditioning and management charges, government rates and all other outgoings). COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)") is a controlling shareholder of both the Company and COSCO Pacific.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

Under paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the Company discloses the following loan agreements which contain covenants requiring specific performance obligations of the controlling shareholder:-

1. A HK\$1,129 million secured long term loan facility was granted by a syndicate of financial institutions with HSBC China Services Limited as agent to Century Metro Development Limited ("Century Metro"), a wholly-owned subsidiary of the Company, on 30th March, 1998 to finance the PSPS project at Shum Wan Road, Aberdeen Inland Lot No. 435. The term loan is repayable on the date on or before 31st October, 2001. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong) which undertakes amongst other conditions that it will remain as the ultimate beneficial owner of at least 51% of the entire issued share capital of Century Metro and SSCE, unless consented by the agent acting on the instruction of majority of the syndicate.

2. A US\$100 million secured three years term loan facility was granted by Bank of China, Hong Kong Branch, to the Company in August 1998 to partly refinance the shareholder's loan advanced by COSCO (Hong Kong) when the Company acquired the beneficial interest in eight floors of the COSCO Tower in April 1998. The loan facility was reduced to US\$90 million after two partial repayments of US\$5 million each on 28th July, 2000 and 8th August, 2000. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong) which undertakes amongst other conditions that:
 - (i) it will procure that the ultimate holding company will maintain a 100% equity interest, either directly or indirectly, in it and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (ii) it will procure that the ultimate holding company will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (iii) it will maintain an equity interest, either directly or indirectly, of not less than 35% in COSCO Pacific, a fellow subsidiary of the Company, and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee); and
 - (iv) it will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest being the single largest shareholding in the Company.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31st December, 2000, the interests of the directors and chief executives and their associates in the shares 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 ("SDI Ordinance") were as follows:

1. Directors' interest in shares

Name of director	Number of shares held	
	Personal interests	
Mr. Zhang Yongjian	1,478,400	
Mr. Dong Shu Sen	1,500,000	

2. Directors' interests in share options granted by the Company

Name of director	Number of share options held	
	<i>(Note)</i>	
Mr. Kwong Che Keung, Gordon	4,500,000	
Mr. Zhang Yongjian	1,000,000	
Mr. Dong Shu Sen	3,500,000	

Note: These share options were granted to the directors of the Company on 20th March, 2000 under the share option scheme approved by the shareholders of the Company on 17th January, 1992, and are exercisable at HK\$0.656 per share at any time between 20th March, 2001 and 16th January, 2002.

3. Directors' interest in share options granted by associated corporation

Name of associated corporation	Name of director	Number of share options held	
		<i>(Note)</i>	
COSCO Pacific	Mr. Kwong Che Keung, Gordon	250,000	

Note: These share options were granted on 6th April, 2000 and are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.

◀ DIRECTORS' INTERESTS IN SHARES AND OPTIONS (cont'd)

Save as disclosed herein, as at 31st December, 2000, none of the directors and the chief executive of the Company had any interest in the share capital of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

◀ MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

◀ SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the interests of those persons in the share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

Name of shareholder	Number of shares held
COSCO	829,360,511
COSCO (Hong Kong)*	829,360,511
True Smart International Limited*	527,060,904
COSCO Investments Limited*	302,299,607

* These companies are wholly-owned subsidiaries of COSCO and their interests in the shares of the Company were included in the interests held by COSCO.

◀ CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2000 with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules.

In addition, the Company has established an Audit Committee for review and supervision of the Group's financial reporting process and internal controls to protect the interests of the shareholders of the Company. The Audit Committee held two meetings during the year.

◀ PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of any listed securities of the Company.

◀ PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

◀ AUDITORS

The financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

PricewaterhouseCoopers replaced Price Waterhouse in 1999 following their merger with Coopers & Lybrand.

On behalf of the Board
Kwong Che Keung, Gordon
Managing Director

Hong Kong, 30th March, 2001