

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

PRINCIPAL ACTIVITIES

The Company continued to be an investment holding company. The principal activities of its subsidiaries continued to be property investment, property development and investment holding.

Substantially all of the Group's turnover for the year was derived from its property rental business in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 14.

The directors recommend the payment of a final dividend of HK2.0¢ per share in respect of the year ended 31 December 2000. No interim dividend was paid during the year. In respect of the year ended 31 December 1999, a final dividend of HK2.0¢ per share was declared and paid.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2000, under the Companies Act 1981 of Bermuda, the reserves of the Company available for distribution, representing contributed surplus and capital redemption reserve net of accumulated losses, amounted to approximately HK\$1,041.0 million (1999: HK\$1,136.9 million).

INFORMATION ON PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 24 to the accounts.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is given on page 47.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and turnover attributable to the Group's major suppliers and customers are as follows:-

	2000 %	1999 %
Purchases		
- the largest supplier	12	8
- five largest suppliers combined	33	26
Turnover		
- the largest customer	42	32
- five largest customers combined	56	53

None of the directors or their associates and no major shareholders (who to the knowledge of the directors own more than 5% of the Company's share capital) had interests in the above suppliers or customers at any time during the year.

BANK LOANS

The Group's bank loans are secured on part of the Group's properties and comprise term loans as well as revolving credit facilities. An analysis of these borrowings is set out in note 19 to the accounts.

DONATIONS

Donations made by the Group during the year amounted to HK\$205,000 (1999: HK\$230,000).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the accounts.

SHARE CAPITAL

Details of the movements in the Company's share capital and share premium accounts during the year are set out in notes 17 and 18 to the accounts respectively.

Details of share options granted by the Company are set out in note 17 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 11 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held by the Group are set out on pages 44 to 46.

PROPERTY HELD FOR DEVELOPMENT

Details of the movements in property held for development during the year are set out in note 13 to the accounts.

DIRECTORS

The directors who held office during the year and up to the date of this report were:-

Mr. Cheung Chung Kiu <i>Chairman</i>	appointed on 28 September 2000
Dr. Wong Chi Keung, Dickie <i>Managing Director</i>	
Mr. Yuen Wing Shing	appointed on 28 September 2000
Ms. Tung Wai Lan, Iris	appointed on 28 September 2000
Mr. Lee Ka Sze, Carmelo*	appointed on 28 September 2000
Mr. Wong Wai Kwong, David*	appointed on 28 September 2000
Mr. Chan Chun Hoo, Thomas	resigned on 28 September 2000
Mr. To Shu Sing, Sidney	resigned on 28 September 2000
Mr. Chan Wai Kan, George	resigned on 28 September 2000
Mr. Lee Peng Fei, Allen*	resigned on 28 September 2000
Mr. Lo Kai Yiu, Anthony*	resigned on 28 September 2000
Mr. Tsim Tak Lung, Dominic*	resigned on 28 September 2000
Mr. Yu Hon To, David*	resigned on 28 September 2000

Pursuant to Bye-law 86(2) of the Company's Bye-laws, Mr. Cheung Chung Kiu, Mr. Yuen Wing Shing, Ms. Tung Wai Lan, Iris, Mr. Wong Wai Kwong, David and Mr. Lee Ka Sze, Carmelo, retire and offer themselves for re-election.

* *non-executive directors*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors:-

Cheung Chung Kiu *Chairman*

Mr. Cheung, aged 36, was born and educated in Chongqing, the PRC. In 1985, he set up Chongqing Industrial Limited which was mainly engaged in the trading business with the PRC. He is the founder of Yugang International Limited, a listed company on The Stock Exchange of Hong Kong Limited. Further, he is also the Chairman of The Cross-Harbour (Holdings) Limited, a director of Qualipak International Holdings Limited and a non-executive director of Silver Grant International Industries Limited.

Wong Chi Keung, Dickie *Managing Director*

Dr. Wong, aged 46, joined the Group in January 2000 as Managing Director. He has a doctorate degree in business and is a member of the Hong Kong Institute of Housing, the Chartered Institute of Housing and the Hong Kong Institute of Real Estate Administration. Prior to joining the Group, he had held various senior executive positions with some of Hong Kong's leading property companies and property consultant firms in the past 26 years. He has taken on an active role in public and voluntary services. Currently, he is a member of The Chinese People's Political Consultative Conference, Nanning, Guanxi Province, an advisor of Hong Kong Auxiliary Medical Services and Honorary Aide-de-Camp to the Chief Executive of the Hong Kong SAR. He is also an executive director of The Cross-Harbour (Holdings) Limited.

Yuen Wing Shing *Executive Director*

Mr. Yuen, aged 54, is responsible for the Group's administration and business operations. He holds a diploma in Management Studies from the Hong Kong Polytechnic. Prior to joining the Group, he had held a senior management position with a major bank in Hong Kong for over 20 years. He is also an executive director of Yugang International Limited and The Cross-Harbour (Holdings) Limited.

Tung Wai Lan, Iris *Executive Director*

Ms. Tung, aged 35, graduated from The Chinese University of Hong Kong with a Master of Philosophy Degree. She is also an executive director of The Cross-Harbour (Holdings) Limited.

Non-executive directors:-

Lee Ka Sze, Carmelo

Mr. Lee, aged 40, graduated from the University of Hong Kong with a Bachelor of Laws degree. He is a practising solicitor in Hong Kong and is a partner of Woo, Kwan, Lee & Lo. He is also a non-executive director of various companies listed on The Stock Exchange of Hong Kong Limited including Yugang International Limited. He is also a listing committee member of the main board of The Stock Exchange of Hong Kong Limited.

Wong Wai Kwong, David

Mr. Wong, aged 43, has over 20 years of experience in finance, accounting, corporate and taxation affairs. He is a fellow of The Association of Chartered Certified Accountants, and an associate of the Hong Kong Society of Accountants, the Australian Association of Practising Accountants and the Australasian Association of Secretaries and Managers. He is currently a director of International Taxation Advisory Services Limited and is also a non-executive director of 8 other companies listed on The Stock Exchange of Hong Kong Limited including Yugang International Limited.

Senior management:-

Leung Kam Wah *General Manager, Property*

Mr. Leung, aged 45, joined the Group in April 2000 and is responsible for the property arm of the group. He holds a Master degree in Property Development and Investment from the University of Greenwich, a Diploma in Surveying from the College of Estate Management and a Diploma in Property Development from the University of Hong Kong. He is a member of the Australian Institute of Building, the Association of Project Management and the Hong Kong Institute of Real Estate Administration. Prior to joining the Group, he had been working with private and listed property companies, land consultant firms and the Hong Kong Government in the past 23 years.

Vong Veng Kei, Keith *Financial Controller*

Mr. Vong, aged 40, joined the Group in February 2000. He is a member of the American Institute of Certified Public Accountants. He earned a Master of Accounting degree from the University of Hawaii, U.S.A. in 1987. Prior to joining the Group, he had worked and held senior positions in a number of U.S. and multinational companies where he accumulated experience in accounting, corporate finance and taxation.

DIRECTORS' EMOLUMENTS

Details of the emoluments of the directors of the Company are set out in note 9 to the accounts.

SERVICE CONTRACTS

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance to which the Company, or any of its subsidiaries, or any of its fellow subsidiaries, or its holding company 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.

Mr. Lee Ka Sze, Carmelo, is a partner of Woo, Kwan, Lee & Lo, a solicitor firm which had rendered legal services to the Company and received normal remuneration for such services.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2000, the interests of directors and chief executives in the shares of the Company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:-

Name of director	Number of ordinary shares			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Cheung Chung Kiu	-	-	note (a)	-

Notes:

- (a) 273,000,000 shares of the Company were beneficially owned by Funrise Limited, a wholly owned subsidiary of Yugang International Limited ("Yugang"). Yugang is owned as to 0.63% by Mr. Cheung Chung Kiu and as to 37.79% by Chongqing Industrial Limited ("Chongqing"). Chongqing is owned as to 35% by Mr. Cheung Chung Kiu, as to 30% and 5% respectively by Peking Place Limited and Miraculous Services Limited (companies controlled by Palin Discretionary Trust, the objects of which include Mr. Cheung and his family) and as to 30% by Prize Winner Limited which is owned by Mr. Cheung and his associates.

Apart from the above, none of the directors and chief executives (including their spouses and children under 18 years of age) had any beneficial interests or other interests in the shares of the Company or any of its subsidiaries or associated corporations.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of share options granted to the directors and chief executives of the Company, pursuant to the Company's Share Option Scheme, are as follows:-

Name of director	Date of grant	Exercise price per share HK\$	Exercise period	Number of options
Mr. Wong Chi Keung, Dickie	3 April 2000	0.5860	3 April 2000 to 2 April 2010	2,000,000

The options are exercisable in stages during the relevant exercise periods. No options were exercised and 19,080,000 options were lapsed upon the resignation of directors and employees during the year.

Apart from the aforesaid, at no time during the year was the Company, or any of its subsidiaries, or any of its fellow subsidiaries, or its holding company, a party to any arrangements to enable the directors and chief executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2000, the register required to be kept under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed as corporate interests of Mr. Cheung Chung Kiu above, the Company has been notified by Mr. Chan Chun Wai that he was interested, in aggregate, in 123,293,201 shares of the Company.

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

During the year, the Company has not redeemed any of the Company's share capital. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's share capital during the year.

CONNECTED TRANSACTIONS

The related party transactions entered by the Group during the year ended 31 December 2000, as disclosed in note 23(a) to the accounts, constitute connected transaction requiring press announcement under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules"). Details of these transactions have been disclosed in the press announcements of the Company dated 5 March 1997, 26 January 2000 and 8 November 2000.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee comprising Mr. Tsim Tak Lung, Dominic, Mr. Lee Peng Fei, Allen and Mr. Lo Kai Yiu, Anthony as members was formed on 7 May 1999 and held office up to 28 September 2000. On 28 September 2000, Mr. Lee Ka Sze, Carmelo and Mr. Wong Wai Kwong, David were appointed as members to replace the members previously appointed. The function of the Audit Committee is to assist the Board of Directors in providing an independent review of the effectiveness of the financial reporting process and internal control system of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Code of Best Practice has been complied with by the Company throughout the year ended 31 December 2000 except that non-executive directors are not appointed for a specific term as recommended under the Listing Rules Appendix 14 Guidelines. According to the Bye-laws of the Company, non-executive directors of the Company will retire by rotation on average every three years and their appointments will be reviewed when they are due for re-election. In the opinion of the directors this meets the same objective as the Code of Best Practice.

STAFF

At 31 December 2000, the Group employed a total staff of 44.

Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical insurance, life insurance, provident fund and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Cheung Chung Kiu

Chairman

Hong Kong, 11 April 2001