



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December, 2000.

Principal Activities

The Company continues to act as an investment holding company. It provides corporate management services to its group companies. The activities of the Company's principal subsidiaries are set out in note 15 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 26 of the annual report.

An interim dividend of 1 cent per share amounting to approximately HK\$11.5 million was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of 2 cents per share to the shareholders on the register of members on 31st May, 2001, amounting to approximately HK\$22.9 million, and the retention of the remaining profit for the year.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

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 on page 79 of the annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company are set out in note 13 to the financial statements.

Major Properties

Details of the major properties of the Group at 31st December, 2000 are set out on page 80 of the annual report.

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Share Capital

Details of movements in the share capital of the Company are set out in note 30 to the financial statements.

Borrowings and Interest Capitalised

Analyses of the maturity of bank loans and other loan are set out in notes 28 and 29 to the financial statements respectively.

Interest capitalised by the Group during the year amounted to approximately HK\$14,875,000 in respect of properties under development.

Board of Directors

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

Executive directors:

Fung Ka Pun (<i>Executive Co-Chairman</i>)	
Wong Sin Just (<i>Executive Co-Chairman</i>)	(appointed on 20th April, 2000)
Tam Yuk Ching, Jenny	
(<i>Alternate Director to Mr. Wong Sin Just</i>)	(appointed on 20th April, 2000)
Cheng Kin Wah, Thomas	(resigned on 20th April, 2000)
Lai Shi Hong, Edward	(resigned on 20th April, 2000)
Tsang Pui Yuen, Kant	(resigned on 20th April, 2000)
Ho Kwok Wai, Patrick	(resigned on 20th April, 2000)

Non-executive director:

Kua Phek Long	(resigned on 20th April, 2000)
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Independent non-executive directors:

Ongpin Roberto V.	(appointed on 20th April, 2000)
Chung Cho Yee, Mico	(appointed on 9th March, 2001)
Yip Hak Yung, Peter	(appointed on 20th April, 2000 and resigned on 9th March, 2001)
Guo Peinan	(resigned on 20th April, 2000)
Ngan On Tak, Andy	(resigned on 20th April, 2000)



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In accordance with clause 99 of the Company's New Bye-laws, all remaining directors shall retire from office and, being eligible, offer themselves for re-election.

No director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office for each non-executive director is the period up to his retirement in the annual general meeting in accordance with the Company's New Bye-laws.

Directors' Interests in Shares

As at 31st December, 2000, the interests of the directors and their associates in the share capital of the Company and its associated corporations (within the meaning of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

The Company

Name of directors	Number of shares of the Company held	
	Personal interests	Corporate interests
Fung Ka Pun	4,116,000	5,220,866 (note 1)
Wong Sin Just	–	290,000,000 (note 2)
Tam Yuk Ching, Jenny	–	290,000,000 (note 2)
Ongpin Roberto V.	–	914,850 (note 3)

Goodwill International (Holdings) Limited (note 4) ("Goodwill International")

Name of directors	Number of shares of Goodwill International held	
	Personal interests	Corporate interests
Fung Ka Pun	5,000,000	121,637,828 (note 1)
Ongpin Roberto V.	–	7,356,250 (note 3)

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Notes:

- (1) Mr. Fung Ka Pun has a beneficial interest in Bo Hing Limited, which was interested in 5,220,866 shares in the Company as at 31st December, 2000. Bo Hing Limited was also interested in 121,637,828 shares in Goodwill International as at 31st December, 2000.
- (2) Mr. Wong Sin Just and Madam Tam Yuk Ching, Jenny have beneficial interests in e2-Capital Inc., which was interested in 290,000,000 shares in the Company as at 31st December, 2000. e2-Capital Inc. is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".
- (3) Mr. Ongpin Roberto V. has a beneficial interest in Tristar Equities Inc., which was interested in 914,850 shares in the Company as at 31st December, 2000. Tristar Equities Inc. was also interested in 7,356,250 shares in Goodwill International as at 31st December, 2000.
- (4) Goodwill International, a private company incorporated in Hong Kong with limited liability, is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

Pursuant to the share option scheme, the Company granted options which are exercisable on or before 14th December, 2002 to certain directors and their associates. The particulars and the movements in the share options during the year are as follows:

<u>Name of directors</u>	<u>Date of grant</u>	<u>Exercise price</u> HK\$	<u>Number of share options</u>		
			<u>Balance at 1.1.2000</u>	<u>Granted during the year</u>	<u>Balance at 31.12.2000</u>
Fung Ka Pun	17.3.1997	1.77	6,375,000	–	6,375,000
Cheng Kin Wah, Thomas (note 5)	17.3.1997	1.77	374,000	–	374,000
	6.3.2000 (note 2)	1.20	–	750,000	750,000
Lai Shi Hong, Edward (note 5)	1.8.1997	2.68	750,000	–	750,000
	6.3.2000 (note 2)	1.20	–	750,000	750,000
Tsang Pui Yuen, Kant (note 5)	17.3.1997	1.77	750,000	–	750,000
	6.3.2000 (note 2)	1.20	–	750,000	750,000
Ho Kwok Wai, Patrick (note 5)	23.4.1998 (note 3)	0.80	2,000,000	–	2,000,000
	6.3.2000 (note 2)	1.20	–	750,000	750,000
Choi Hon Hing (note 1)	17.3.1997	1.77	1,500,000	–	1,500,000
	23.4.1998 (note 3)	0.80	2,000,000	–	2,000,000
	29.4.2000 (note 4)	0.79	–	4,000,000	4,000,000



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Notes:

1. Madam Choi Hon Hing is the spouse of Mr. Fung Ka Pun and is also an executive director of Winbox (BVI) Limited, a subsidiary of the Company.
2. Share options granted shall be exercisable only in accordance with the following terms:
 - (i) up to maximum of 30% of the share options granted shall be exercisable on or after 1st February, 2001; and
 - (ii) the full amount of the share options granted shall be exercisable on or after 1st February, 2002.
3. Share options granted shall be exercisable only in accordance with the following terms:
 - (i) up to a maximum of 30% of the share options granted shall be exercisable on or after 1st April, 1999;
 - (ii) up to a maximum of 60% of the share options granted shall be exercisable on or after 1st April, 2000; and
 - (iii) the full amount of the share options granted shall be exercisable on or after 1st April, 2001.
4. Share options granted shall be exercisable only in accordance with the following terms:
 - (i) up to a maximum of 660,000 of the share options granted shall be exercisable after 16th October, 2000;
 - (ii) up to a maximum of 1,320,000 of the share options granted shall be exercisable after 16th April, 2001;
 - (iii) up to a maximum of 1,980,000 of the share options granted shall be exercisable after 16th October, 2001;
 - (iv) up to a maximum of 2,640,000 of the share options granted shall be exercisable after 16th April, 2002;
 - (v) up to a maximum of 3,330,000 of the share options granted shall be exercisable after 16th October, 2002; and
 - (vi) the full amount of the share options granted shall be exercisable after 6th December, 2002.
5. The balance at 31.12.2000 of Messrs. Cheng Kin Wah, Thomas, Lai Shi Hong, Edward, Tsang Pui Yuen, Kant and Ho Kwok Wai, Patrick represent the balances at their date of resignation as directors of the Company on 20th April, 2000.

Mr. Fung Ka Pun was granted an option (the "Option") for a consideration of HK\$1 to subscribe for a maximum of 15 unissued shares in the share capital of e2-Capital Securities (Holdings) Limited ("e2-Capital Securities"), an associate of the Group, representing 10 percent of its issued shares at an exercise price of HK\$1,000,000 per share. The Option will expire on the fifth anniversary of 14th February, 1997 or on the earlier of either Mr. Fung ceasing to be a director or an employee of the Company or its subsidiaries or none of the Company or its subsidiaries remaining as a shareholder of e2-Capital Securities. On 17th March, 2000, a conditional agreement (the "Agreement") in respect of the acquisition of 60% equity interest in e2-Capital Securities (the "e2-Capital Securities Acquisition") by the Company was entered into among the Company and the other shareholders of e2-Capital Securities. Following the completion of the e2-Capital Securities Acquisition on 20th April, 2000, the service and option agreement signed with Mr. Fung on 29th October, 1996 was terminated and the Option lapsed accordingly pursuant to the Agreement.

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Other than as disclosed above, none of the directors or their associates had any interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for shares of the Company, or had exercised any such right during the year.

Directors' Rights to Acquire Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, its fellow subsidiaries 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.

Directors' Interests in Contracts of Significance

Other than as disclosed in the section "Connected Transactions", no contract of significance to which the Company, its fellow subsidiaries 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

- (a) On 14th May, 1999, Goodwill International, the Company's then controlling shareholder, entered into a conditional agreement with Cory Developments Limited ("Cory"), an indirectly wholly-owned subsidiary of the Company, whereby Cory acquired 100% interest (2 shares) in Sunyork Investment Limited, a wholly-owned subsidiary of Goodwill International, and a shareholder's loan in the sum of HK\$8,870,225 (collectively referred to as the "Acquisitions") for HK\$3,000,000. The Acquisitions were completed on 19th May, 2000.
- (b) On 26th February, 2000, Goodwill International (BVI) Limited and Crebox Limited (both are indirectly wholly-owned subsidiary of the Company) together (with the Company as warrantor) granted to Goodwill International an option to acquire up to an aggregate of 6,502,672 shares in the issued share capital of Boxmore Limited ("Boxmore"), an indirectly owned subsidiary of the Company, representing 88% of Boxmore's issued share capital ("Boxmore Option"). The Boxmore Option was exercisable from 17th April, 2000 to 16th April, 2001 at the total price of HK\$88,000,000 for the 88% interest in Boxmore (or part thereof on a pro rata basis) to be settled in cash.

On 19th March, 2001, the Group entered into an extension agreement (the "Extension Agreement") with Goodwill International, pursuant to which the exercise period of the Boxmore Option is extended for 3 months to 16th July, 2001 (the "Extension"). No consideration was involved in the Extension. The Extension Agreement was approved by shareholders on 12th April, 2001.



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- (c) Pursuant to a subcontract agreement dated 1st June, 2000 entered into between Alfacom Web Development Limited ("Alfacom Web"), a subsidiary of the Company, as subcontractor and Alfa Com Technology Limited ("ACT"), a minority shareholder of Alfacom Web as contractor, ACT engaged Alfacom Web to provide maintenance service to an independent third party during the period from 1st July, 2000 to 31st October, 2000 for an aggregate sum of HK\$4,000,000.

In the opinion of the directors, the above transactions were carried out in the usual course of business of the Group and on normal commercial terms.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited, details of which are set out in note 30 to the financial statements. The directors considered that the Company's shares were trading at a significant discount to the net asset value per share, the repurchases would increase its net asset value per share.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Substantial Shareholders

As at 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares held
Goodwill International	298,519,091
e2-Capital Inc.	290,000,000

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2000.

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Major Customers and Suppliers

Aggregate turnover attributable to the Group's five largest customers were less than 30% of the Group's total turnover.

Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's New Bye-laws, although there are no restrictions against such rights under the laws in Bermuda.

Post Balance Sheet Events

Details of significant post balance sheet events are set out in note 43 to the financial statements.

Compliance with the Code of Best Practice

The Company has complied throughout the year 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.

Auditors

A resolution will be submitted to the annual general meeting to review the appointment of auditors of the Company.

On behalf of the Board

Fung Ka Pun
EXECUTIVE CO-CHAIRMAN

Wong Sin Just
EXECUTIVE CO-CHAIRMAN

20th April, 2001

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