

SMT Report of the Directors

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, property investment and securities trading. The principal activities and other particulars of the subsidiaries are set out in note 13 to the accounts.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 3 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers and suppliers in the aggregate did not exceed 30% of the Group's total operating revenue and total purchases (not including purchases of items of which are of capital nature) for the year ended 31 December 2000.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

ACCOUNTS

The profits of the Group for the year ended 31 December 2000 and the state of the Company's and the Group's affairs at that date are set out in the accounts on pages 16 to 48.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2000 (1999: HK\$0.35 cents per share).

RESERVES

Movements in reserves of the Company and the Group during the year are set out in note 23 to the accounts.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 12 to the accounts.

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Report of the Directors (cont'd)

The investment properties of the Group are as follows:

Location	Use	Lease term
The kindergarten on the first floor and roof of the commercial block, Wing Fok Centre, 1 Luen Chit Street, Fanling, New Territories	Commercial premises for rental	Medium term
The day nursery, the kindergarten and the commercial units of Wing Fai Centre, 2-10 Luen Chit Street, Fanling, New Territories	Commercial premises for rental	Medium term
Block car parks numbers 21, 22, 31, 34, 35, 44, 50, 51, 52, 54, 55, 57, 69, 73, 93, 124, 126 and 127 on ground floor, garage covered car parks numbers 225 and 231 on the first floor and garage uncovered car parks numbers 271 and 274 on the second floor, Carado Garden, 20-30 Tin Sam Street, Shatin, New Territories	Car parking spaces for rental	Medium term
Flat B, 29/F, The Mayfair, 1 May Road, Mid-Levels, Hong Kong	Residential apartment for rental	Medium term
Blocks No. 52, 53, 61, 62, 63, 65, 73 and 74, 788 Hong Xu Road, Shanghai, The People's Republic of China ("PRC")	Residential apartment for rental	Long term

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 22 to the accounts. Shares were issued during the year to broaden the capital base and to provide additional working capital for the Company.

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts of the Company and the Group as at 31 December 2000 are set out in note 19 to the accounts.

No borrowing costs were capitalised by the Group during the year.

DIRECTORS

The directors during the financial year and up to the date of the report are:

Executive Directors

Qian Yong Wei	(Chairman)
Hong Chi Wai	
Xu Zhe Cheng	
Li Kin Ping	
He Hui Min	(appointed on 1 March 2001)

Independent Non-executive Directors

Lam Ming Yung	(resigned on 20 April 2001)
Chan Wai Dune	(resigned on 12 April 2001)
Cheng Chak Ho	(appointed on 12 April 2001)
Mu Xiangming	(appointed on 20 April 2001)

In accordance with the Company's Bye-Laws, Messrs. He Hui Min, Cheng Chak Ho and Mu Xiangming should hold office until and Mr. Li Kin Ping will retire from the Board by rotation at the forthcoming annual general meeting. All of them, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY

The directors of the Company who held office at 31 December 2000 had the following interests in the issued share capital of the Company, its holding companies, subsidiaries and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) on that date as recorded in the register of directors' share interests:

Name	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other Interests	
Qian Yong Wei (note 1)	—	—	1,057,848,235	—	1,057,848,235
Xu Zhe Cheng (note 2)	—	—	1,057,848,235	—	1,057,848,235

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Report of the Directors (cont'd)

Notes:

- (1) Mr Qian Yong Wei ("Mr Qian") held 5,070,000 shares (65%) in Jin Tai Finance Company Limited ("Jin Tai") and 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"). Jin Tai and China Wan Tai, holding companies of the Company, held 40 shares (40%) and 60 shares (60%) in Universal Union Limited ("Universal") respectively. In addition, Universal and Jin Tai held 1,057,348,235 shares and 500,000 shares in the Company respectively.
- (2) Ms Xu Zhe Cheng ("Ms Xu"), Mr. Qian's wife, held 2,730,000 shares (35%) in Jin Tai and 5,000 (5%) shares in China Wan Tai. Jin Tai and China Wan Tai held 40 shares (40%) and 60 shares (60%) in Universal respectively. In addition, Universal and Jin Tai held 1,057,348,235 shares and 500,000 shares in the Company respectively.

Apart from the foregoing, at no time during the year was the Company, any of its holding companies or subsidiaries a party to any arrangement to enable the Company's directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2000, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company had been notified that the following shareholders had direct or indirect interest in 10% or more of the shares of the Company:

Name	Number of shares	Percentage of total issued shares
Universal	1,057,348,235	53.69%
China Wan Tai	1,057,348,235	53.69%
Jin Tai	1,057,848,235	53.71%

The register of substantial shareholders indicates that the interests disclosed by China Wan Tai and Jin Tai include the 1,057,348,235 shares disclosed by Universal. The remaining 500,000 shares held by Jin Tai are held through HKSCC Nominees Limited.

DIRECTORS' SERVICE CONTRACTS

The independent non-executive directors were appointed by the board of directors on 12 April 2001 and 20 April 2001 respectively for a term of one year. Their remuneration was determined by the board of directors on the date of their appointment.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The directors' remuneration for the year is set out in note 6 to the accounts.

Report of the Directors (cont'd)

DIRECTORS' INTERESTS IN CONTRACT

During the year, the Company entered into a contract with China Wan Tai, for the provision of management service. An amount of HK\$900,000 was paid by the Company pursuant to this contract. Mr Qian and Ms Xu were interested in this contract as directors and shareholders of China Wan Tai.

During the year, Mr Qian deposited HK\$1,800,000 with the Company. The amount was interest-free, unsecured and repayable on demand. Subsequent to the year end, the amount was repaid to Mr Qian.

On 23 November 1998, Mr. Qian issued a personal guarantee to a bank in respect of a banking facility of HK\$19,810,000 granted to the Group. As at 31 December 2000, the relevant outstanding bank loan was HK\$18,876,000.

On 31 December 2000, China Wan Tai provided an irrevocable guarantee to the Company in respect of properties held for resale, loans receivable, and certain other receivables totalling HK\$83,840,000, whereby China Wan Tai agreed to reimburse any loss suffered by the Company in the event that the Company is unable to recover the amount from the various parties on or before the agreed dates.

On 20 February 2001, the Company's wholly owned subsidiary, Coastal Broadband Network Development Limited, entered into a sale and purchase agreement with China Wan Tai and Shanghai Wan Tai Property Development Property Limited to acquire a 98% interest in Shanghai Taigu Apartment Service & Management Co., Ltd., a company established in the PRC, for a consideration of HK\$156,028,531. The consideration was satisfied by the payment of HK\$55,737,105 in cash, assumption of debts of HK\$76,190,476 from and issuance of 33,945,000 shares of HK\$0.71 each at a valuation of HK\$24,100,950 to China Wan Tai. This transaction constituted a discloseable and connected transaction as defined by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and was announced by way of press announcement by the Company dated 20 February 2001. Details of the transaction were included in the circular to shareholders dated 14 March 2001.

Apart from the foregoing, no contract of significance to which the Company, any of its holding companies or fellow subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

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

During the year, the Company had not redeemed and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

FIVE YEAR FINANCIAL SUMMARIES

Summaries of the results and of the assets and liabilities of the Group for the last five financial years are set out on pages 49 and 50 of the annual report.

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Report of the Directors (cont'd)

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules, except that one non-executive director has not been appointed for a specific term and is subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-laws.

THE AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors of the Company, namely Messrs Cheng Chak Ho and Mu Xiangming. This committee has the principal duties of reviewing and supervising the financial reporting process and internal control of the Group.

USE OF PROCEEDS

The proceeds from the share issues during the year were fully utilised as the working capital of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the Companies Act 1981 of Bermuda (as amended).

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Ernst & Young were auditors of the Company for the year ended 31 December 1997 and resigned on 15 September 1998. Since their resignation, KPMG were appointed as auditors of the Company.

By Order of the Board
Qian Yong Wei
Chairman

Hong Kong, 20 April 2001