

Report of the Directors

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal activities consist of property investment holdings and development, construction and construction-related business, investment holding and management of service apartments, hotel and carport, cement plants, utility and high technology projects.

The Company will continue to identify suitable projects and investment opportunities for possible diversifications. In addition, it will continue to identify suitable properties and redevelopment opportunities for acquisition.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating loss for the year by principal activities is set out in note 4 to the financial statements.

MAJOR CUSTOMERS

The information in respect of the Group's sales attributable to the major customers during the financial year is as follows:

	Percentage of the group's total sales
The largest customer	23%
Five largest customers in aggregate	<u>61%</u>

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

FINANCIAL STATEMENTS

The results 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 financial statements on pages 25 to 77.

FIXED ASSETS

Details of the additions and other movements in fixed assets are set out in note 11 to the financial statements.

RESERVES

Particulars of the movements in reserves during the year are set out in note 26 to the financial statements.

PROPERTIES PORTFOLIO

Details of the transactions and other movements in the properties portfolio of the Group are set out in notes 11(a), 12, 18 and 19 to the financial statements.

Particulars of the major properties and property interests of the Group are shown on pages 79 to 80.

DEBENTURES AND WARRANTS

Details of the debentures and warrants issued by the Company during the year are set out in note 24. The directors believe that the issue of debentures and warrants under the Subscription Agreement would allow greater flexibility for the Group to plan its budget and will provide the Group with an alternative source of funds to meet its working capital requirements insofar as the conditions attached thereto are satisfied or waived. Furthermore, the issue of the debentures does not have an immediate dilution effect on the shareholding of the existing shareholders.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set out in note 25 to the financial statements. Shares were issued during the year to broaden the capital base of the Company, to meet the working capital requirements of the Company and to finance the acquisition of assets.

DONATIONS

During the year, the Group made donations totalling HK\$50,000.

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DIRECTORS

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

Executive directors

David Wong Wai Chi

(Chairman and Managing Director)

Paul Liu Ngai Wing

(Chief Executive Officer)

Richard Cheung Chung Leung

Clive William Baker Oxley

(appointed as executive director on 26 September 2000, as chief executive officer on 3 October 2000)

(resigned on 6 April 2001)

Non-Executive director

Tam Tai Wai

(resigned on 1 September 2000)

Independent non-executive directors

Lui Ming

Tyebjee Hatam Barma

Eugene Fung Pui Cheung

Jimmy Cheung Chi Hoi

Tony Lee Man Chun

(resigned on 30 March 2001)

(resigned on 14 March 2001)

(appointed on 26 September 2000)

(resigned on 1 September 2000)

In accordance with article 116 of the Company's articles of association, Messrs Richard Cheung Chung Leung and Lui Ming retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The appointments of the present non-executive directors are not for specific terms. They are subject to retirement by rotation in accordance with the Company's articles of association.

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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 31 December 2000, the interests of directors of the Company in the share capital of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under Section 29 to the SDI Ordinance were as follows:

Beneficial interests	Ordinary shares of HK\$0.025 each	
	Personal interest	Corporate interest
Singapore Hong Kong Properties Investment Limited		
David Wong Wai Chi	280,000,000	—
Richard Cheung Chung Leung	11,000,000	—
Clive William Baker Oxley	20,000,000	—

At 31 December 2000, the directors who held office had the following interests in options to subscribe for shares (market value per share was HK\$0.01 at 31 December 2000) of the Company granted at HK\$1 per grantee under a share option scheme of the Company. Each option gives the holder the right to subscribe for one share.

	No. of options outstanding at the year end	Date granted	Period during which options exercisable	Price per share to be paid on exercise of options	Market value per share at date of grant of options
				HK\$	HK\$
Richard Cheung Chung Leung	70,000,000	29 December 1999	29 December 1999 – 28 December 2002	0.025	0.028
Clive William Baker Oxley	20,000,000	29 December 1999	29 December 1999 – 28 December 2002	0.025	0.028

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has not been notified of any interests in the Company's issued shares at 31 December 2000 amounting to 10% or more of the ordinary shares in issue and recorded in the register required to be kept under section 16(1) of the Securities (Disclosure of Interests) Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

(a) On 27 March 2000, the Company entered into a sale and purchase agreement with Global Link Cyber International Limited ("GLC") whereby the Company agreed to purchase the entire interests of (i) Bright Wick Limited, (ii) Day Success Company Limited, (iii) Fairsheen Limited, (iv) Kong Tai Properties Development Company Limited, (v) Marson Development Limited, (vi) Pak Fook Company Limited, (vii) Solar Regent Investments Limited, (viii) Wholesome Investments Limited and (ix) Teleking Development Limited. The assets of these companies comprise various investment properties and properties under development with a professional valuation of HK\$265,960,000 at 29 February 2000 as assessed by an external firm of qualified professional surveyors.

The consideration was based on the net asset value after adjustments for the above professional valuation and the balances of the shareholder's and bank loans and various balance sheet items as at 29 February 2000.

(b) In relation to the sale and purchase agreement mentioned in (a) above, the properties owned by Day Success Company Limited ("Day Success") and Marson Development Limited ("Marson") were pledged to a bank in return for mortgage loans granted to Sheen Win Investment Limited ("Sheen Win"), a subsidiary of GLC. The mortgage loans borrowed by Sheen Win, which were also secured by a corporate guarantee of GLC, were in turn wholly utilized by Day Success and Marson as at 31 December 2000, the amount of bank loans totalled HK\$20,037,000. The amount of interest expenses paid by Day Success and Marson to Sheen Win during the year in relation to the aforesaid loans totalled HK\$2,086,000.

In addition, the properties owned by Bright Wick Limited ("Bright Wick"), Fairsheen Limited ("Fairsheen") and Solar Regent Investments Limited ("Solar Regent"), were pledged to another bank in return for overdraft facilities granted to GLC to the extent of HK\$80,000,000. During the year, the overdraft facilities were partly utilized by Bright Wick, Fairsheen, Solar Regent and the Company (to the extent of HK\$42,400,000 as at 31 December 2000) and partly utilized by GLC (to the extent of HK\$3,315,000 as at 31 December 2000). On 15 December 2000, the extent of the overdraft facilities was reduced by HK\$37,600,000. The amount of interest expenses paid by Bright Wick, Fairsheen, Solar Regent and the Company to GLC during the year in relation to the aforesaid overdraft facilities totalled HK\$5,582,000.

DIRECTORS' INTERESTS IN CONTRACTS (continued)

At 31 December 2000, Kong Tai Properties Development Company Limited and Wholesome Investments Limited utilized bank overdraft facilities totalled HK\$93,693,000. Pak Fook Company Limited had an outstanding bank loan of HK\$11,702,000. The above bank facilities were secured by a corporate guarantee of GLC.

- (c) At 31 December 2000, Wellstech International Limited had an outstanding bank loan of HK\$40,199,000 which was secured by a corporate guarantee of GLC.
- (d) Pursuant to a management service agreement dated 26 September 1998 as varied by a variation agreement dated 20 October 1999, a subsidiary of the Company was charged by a subsidiary of GLC a management fee of HK\$2,232,000 (1999: HK\$42,295,000) for the provision of management and operational services to the Group during the year. The management services arrangement was ceased on 30 June 2000.
- (e) During the year, the Company received rental income of HK\$710,000 from GLC in connection with a rental guarantee executed by GLC regarding the 108 car parking spaces at Lisa House, Mongkok, Kowloon. The car parking spaces were acquired by the Company from GLC in 1999.

Messrs David Wong Wai Chi and Richard Cheung Chung Leung are substantially interested in (a), (b), (c), (d) and (e) above as directors of GLC. Mr Richard Cheung Chung Leung resigned as director of GLC in September 2000.

Apart from the foregoing, no contract of significance to which the Company or any of its 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.

MANAGEMENT SERVICES AGREEMENT

Pursuant to a management services agreement dated 26 September 1998 as varied by a variation agreement dated 20 October 1999, Gold Choice Enterprises Limited, a subsidiary of GLC, charged a subsidiary of the Company, Wisehall Star Limited, a management fee for the provision of management and operational services to the Group during the year. The management service arrangement was ceased on 30 June 2000.

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

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

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BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group at 31 December 2000 are set out in note 22 to the financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78.

MANDATORY PROVIDENT FUND

The Company has installed the mandatory provident fund scheme effective December 2000.

USE OF PROCEEDS FROM CAPITAL RAISED

Details of the use of proceeds from capital raised during the year are as follows:

No. of shares issued	Share issue price HK\$	Net proceeds HK\$ million	Share market price on announcement date HK\$	Use of proceeds
2,100,000,000	0.063	128	0.063	Acquisition of high technology projects and as working capital
3,900,000,000	0.030	110	0.030	Reduction of bank loan and mortgage and as working capital
5,200,000,000	0.025	<u>123</u>	0.022	Working capital
		<u>361</u>		

All shares placed during the year were allotted to independent third parties.

The class of shares is ordinary.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 (the "Exchange") in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee in September 1999 with written terms of reference based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprised an executive director, Mr. Clive Oxley, and three independent non-executive directors, Mr. Eugene Fung, Mr. Tyebjee Hatam Barma and Mr. Lui Ming. The audit committee has met 11 times since its formation.

Mr. Clive Oxley, Mr. Eugene Fung and Mr. Tyebjee Hatam Barma resigned subsequent to the balance sheet date. Mr. Jimmy Cheung, an independent non-executive director, joined the audit committee in April 2001.

AUDITORS

In July 2000, KPMG tendered their resignation as the Company's auditors. Subsequently, Nelson Wheeler were appointed as auditors of the Company by the board in December 2000. Nelson Wheeler changed its name to RSM Nelson Wheeler on 1 January 2001 and will sign the auditors' report under the new name.

By order of the board

Paul Liu Ngai Wing

Executive Director, Chief Executive Officer

Hong Kong SAR, 25 April 2001