

The Directors of the Company present their Report together with the audited financial statements of the Company and its subsidiaries (altogether the "Group") for the year ended 31st December, 2000 and the Auditors' Report thereon.

PRINCIPAL ACTIVITIES

The principal activities of the Group for the year were property development and investment, hospitality and leisure activities, manufacturing of PVC pipes and construction materials and securities trading.

The Company acted as an investment holding company during the year while the principal activities and other particulars of the principal subsidiaries of the Company are listed out in Note 27 to the financial statements on pages 120 to 124.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st December, 2000 are set out on pages 55 to 126.

No interim dividend was paid during the year (1999: Nil).

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

The Directors of the Company recommend that the retained earnings of the Group as at 31st December, 2000 amounting to HK\$626,520,000 are to be carried forward. Other movements in reserves of the Group and of the Company during the year are shown in Note 18 to the financial statements on pages 94 to 97.

DONATIONS

During the year ended 31st December, 2000, the Group donated HK\$78,000 to charitable and other causes.

MAJOR CUSTOMERS AND SUPPLIERS

Of the turnover of the Group for the year, less than 30% was attributable to the Group's five largest customers.

During the year, 53% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 25% of the Group's purchases. None of the Directors of the Company, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers.

FIXED ASSETS

During the year ended 31st December, 2000, the Group acquired fixed assets amounting to HK\$25,397,000 and disposed of and wrote off assets with an aggregate net book value of HK\$3,702,000.

Movements in assets of the Group during the year are shown in the Consolidated Cash Flow Statement on pages 60 and 61 and in Note 10 to the financial statements on pages 83 and 84.

A schedule of the principal properties held by the Group, either under development and/or for sale or investment purposes, is set out on pages 137 to 146.

BORROWINGS AND DEBENTURES

Details of bank loans and other borrowings of the Group and of the Company as at 31st December, 2000 are set out in Notes 16(e), 19 and 20 to the financial statements on pages 92 and 98 respectively.

No debentures of any class were issued by the Company or any of its subsidiaries, or were in issue at any time during the year.

Interest expenses of HK\$6,033,000 attributable to properties under development were capitalised by the Group during the year.

SHARE CAPITAL

During the year under review, the Company has not issued any new shares in the capital.

As at 31st December, 2000, 1,059,749,112 shares of HK\$0.50 each in the Company's capital were in issue.

Details of the share capital of the Company are set out in Note 17 to the financial statements on page 93.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2000, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association of the Company and the Companies Law of the Cayman Islands.

DIRECTORS

The Directors of the Company as at the date of this Report and those who were in office during the year are:

Name of Directors

Mr Tung Yu Jeh (<i>Chairman</i>)	
Mr Tong Cun Lin (<i>Managing Director</i>)	
Madam Hsu Feng	
Mr Lee Yu Tien	
Mr Sun Tao Tsun	
Mr Sung Tze Chun	
Mr Chuang Hsiao Chen	
Madam Tung Wai Yee	
<i>(Independent Non-Executive Director)</i>	
Mr Lu Yao-Tsu	(appointed on 10th July, 2000)
<i>(Independent Non-Executive Director)</i>	
Mr Hu Hung Chiu	(resigned on 31st January, 2000)
Mr Robert Ma Kam Fook	(resigned on 31st January, 2000)
<i>(alternate to Mr Sun Tao Tsun)</i>	
Mr Chen Yung Tai	(retired on 20th June, 2000)
<i>(Independent Non-Executive Director)</i>	
Mr Wu Choi Sun, William	(resigned on 6th February, 2001)

A profile of the existing Directors of the Company is shown on pages 30 and 32.

Information relating to emoluments paid to the Company's Directors during the year is set out in Note 5 to the financial statements on pages 78 and 79.

In accordance with Article 99 of the Articles of Association of the Company, Mr Lu Yao-Tsu, being a Director appointed by the Board of Directors, shall hold office only until the next following annual general meeting of the Company after his appointment and therefore will retire at the forthcoming annual general meeting and being eligible, offers himself for re-election.

DIRECTORS (continued)

All Directors of the Company, including the independent non-executive Directors, are subject to retirement by rotation at annual general meetings of the Company in accordance with Article 116 of the Articles of Association of the Company. Article 116 provides that at each annual general meeting one-third of the Directors of the Company for the time being, who have been longest in office since their last election, or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office and shall be eligible for re-election.

Pursuant to Article 116 of the Articles of Association of the Company, Mr Tung Yu Jeh, Mr Chuang Hsiao Chen and Mr Tong Cun Lin will retire by rotation at the forthcoming annual general meeting. Being eligible, they offer themselves for re-election.

None of the Directors of the Company proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2000, the beneficial interests of the Directors of the Company in the securities of the Company or of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) and in any right to subscribe for securities of the Company, which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule of the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, were as follows:

The Company

(a) Shares of HK\$0.50 each

Name of Directors	Number of shares in the Company				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Mr Tung Yu Jeh	Nil	Nil	Nil(A)	Nil	Nil
Mr Tong Cun Lin (B)	52,490,750	Nil	Nil(C)	Nil	52,490,750
Madam Hsu Feng (B)	22,000,000	Nil	Nil(C)	Nil	22,000,000
Mr Lee Yu Tien	Nil	Nil	Nil(A)	Nil	Nil
Mr Sun Tao Tsun	Nil	Nil	Nil(A)	Nil	Nil
Mr Wu Choi Sun, William (D)	Nil	Nil	Nil(C)	Nil	Nil
Mr Sung Tze Chun	Nil	Nil	Nil(C)	Nil	Nil
Mr Chuang Hsiao Chen	Nil	Nil	Nil	Nil	Nil
Madam Tung Wai Yee	Nil	Nil	Nil(C)	Nil	Nil
Mr Lu Yao-Tsu	Nil	Nil	Nil	Nil	Nil

DIRECTORS' INTERESTS IN SECURITIES (continued)(b) *Employee Share Option Scheme*

The following Directors of the Company held options granted under the employee share option scheme of the Company, pursuant to which they are entitled to subscribe for shares of HK\$0.50 each in the capital of the Company:

Name of Directors	Number of shares subject to the options	Subscription price per share	Expiry date of the options
Mr Tung Yu Jeh	2,000,000	HK\$0.51	14th June, 2001
Mr Tong Cun Lin	3,000,000	HK\$0.51	17th May, 2001
Madam Hsu Feng	2,000,000	HK\$0.51	17th May, 2001
Mr Sun Tao Tsun	2,000,000	HK\$0.51	14th June, 2001
Mr Sung Tze Chun	<u>16,000,000</u>	HK\$0.51	17th May, 2001
	<u>25,000,000</u>		

Notes:

- (A) The following companies, being private companies incorporated in the British Virgin Islands and ultimately controlled by Pacific Electric Wire & Cable Company Limited (a listed company in Taiwan), beneficially held an aggregate of 306,545,800 shares in the Company:

Name of companies	Number of shares held
Austway Services Limited	64,625,000
Berger Systems Limited	13,810,500
Elan Investments Limited	189,541,000
Montford Limited	22,619,300
Top Target Limited	<u>15,950,000</u>
	<u>306,545,800</u>

Mr Tung Yu Jeh and Mr Lee Yu Tien are the honorary chairman and the honorary vice chairman respectively of Pacific Electric Wire & Cable Company Limited, of which Mr Sun Tao Tsun is the chairman.

- (B) Mr Tong Cun Lin and Madam Hsu Feng are husband and wife.
- (C) The following companies, being private companies incorporated in Hong Kong and wholly-owned subsidiaries of Rivera (Holdings) Limited ("RHL") (a listed company in Hong Kong), beneficially held an aggregate of 260,468,987 shares in the Company:

Name of companies	Number of shares held
Forty Enterprises Company Limited	14,985,788
Shine Trip Limited	<u>245,483,199</u>
	<u>260,468,987</u>

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

A total of 150,000,000 shares out of the above number of shares of the Company were subject to share charges in favour of a financial institution as at 31st December, 2000. There was no change in beneficial interest in the shares subject to the share charges.

Mr Tong Cun Lin, Madam Hsu Feng and Madam Tung Wai Yee are directors of RHL, of which Mr Tong Cun Lin is also a substantial shareholder.

Mr Sung Tze Chun is a director and a shareholder of Peace Forest Limited and controls the exercise of more than one-third of the voting power at its general meetings. Peace Forest Limited is another substantial shareholder of RHL.

Mr Wu Choi Sun, William was a director of RHL during the year and has resigned from the office with effect from 6th February, 2001.

- (D) Mr Wu Choi Sun, William has resigned as Director of the Company since 6th February, 2001.

Save as disclosed above, none of the Directors of the Company and their associates had any interest in the securities of the Company or of any of its associated corporations as at 31st December, 2000, or was granted any right to subscribe for securities of the Company or exercised such right during the year under review, which had to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance and the Listing Rules (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule of the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31st December, 2000 nor at the end of the year was the Company 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 save and except that:

- (a) the Company has established an employee share option scheme (the "Share Option Scheme") in October 1990 whereby the Directors of the Company were empowered to offer eligible persons, which included directors, officers and employees of the Company and its subsidiaries, options to subscribe for ordinary shares of HK\$0.50 each in the capital of the Company. The Share Option Scheme was valid and effective for a period of ten years, after which period no further options were granted but in all other respects the provisions of the Share Option Scheme should remain in full force and effect;
- (b) during the year, Mr Tung Yu Jeh, Mr Tong Cun Lin, Madam Hsu Feng, Mr Sun Tao Tsun and Mr Sung Tze Chun, all being Directors of the Company, held options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the paragraph headed "Directors' Interests in Securities" in this Report;

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES *(continued)*

- (c) an option has been granted to Mr Hu Hung Chiu by the Company pursuant to the Share Option Scheme to subscribe for 2,000,000 shares in the capital of the Company and lapsed on 29th February, 2000 upon the expiry of a period of one month following his resignation as a Director of the Company; and
- (d) during the year, the Directors of the Company neither exercised any outstanding options nor were granted any additional options pursuant to the Share Option Scheme.

SIGNIFICANT CONTRACTS

Madam Hsu Feng ("Madam Hsu") had an interest in an agreement made on 18th December, 1993 between (a) Minato Limited ("Minato"), an indirect wholly-owned subsidiary of the Company, and (b) Madam Hsu (the "Agreement to Lease"). Pursuant to the Agreement to Lease, Minato has agreed to enter into a lease agreement to lease the premises to be redeveloped on a site of approximately 2,335.80 square metres at Eastern City District, Beijing, the People's Republic of China (the "Property") at a fixed rental of RMB21,400,000 for an initial term of 12 years upon completion of the redevelopment (the "Lease"). The Property was to be redeveloped pursuant to an agreement signed on 16th December, 1993 (the "Redevelopment Agreement") between (a) Madam Hsu and (b) Eastern City District Hua Xin Property Development & Construction Company ("Hua Xin") whereby Hua Xin has agreed to acquire and redevelop the Property into a quadrangle for Madam Hsu at a fixed fee of RMB21,400,000 (the "Redevelopment").

It was provided in the Agreement to Lease that if the amount payable by Madam Hsu to Hua Xin under the Redevelopment Agreement exceeded RMB21,400,000, such excess would be borne by Minato and the term of the Lease would be extended for one additional year for each sum of RMB1,783,333 of the excess and a pro rata part thereof for the remaining excess.

The Company announced on 28th June, 1996 that the Redevelopment, which was originally expected to be completed before 30th June, 1996 on which date the Lease should commence, had been delayed due to difficulties encountered in the resettlement of residents of the Property. Upon clarification of certain issues in relation to the urban facilities improvement costs for the district to be borne by the Redevelopment, the Company would evaluate all relevant factors to determine whether or not Minato would continue to lease the Property.

Up to 31st December, 2000, an aggregate of RMB19,500,000 has been paid by Minato.

Save as disclosed herein, no contracts of significance to which the Company 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 ended 31st December, 2000.

PENSION SCHEMES

The Company participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. Should there be employer's voluntary contributions to the scheme, forfeited contributions in this nature can be applied to reduce the amount of future voluntary contributions payable by the employer.

During the year under review, the total amount contributed by the Company to the scheme and charged to the income statement amounted to HK\$21,704 (1999: Nil) and no contributions were forfeited.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2000, the following shareholders were interested in 10% or more of the total issued share capital of the Company as recorded in the Register of Substantial Shareholders' Interests kept by the Company under Section 16(1) of the SDI Ordinance and pursuant to the provisions of the Listing Rules:

Name of substantial shareholders	Number of shares held (proportion to the total issued share capital of the Company)
Pacific Electric Wire & Cable Company Limited (<i>Note a</i>)	306,545,800 (28.93%)
Moon View Ventures Limited (<i>Note a</i>)	306,545,800 (28.93%)
Blinco Enterprises Limited (<i>Note a</i>)	306,545,800 (28.93%)
Montford Limited (<i>Notes a & c</i>)	306,545,800 (28.93%)
Rivera (Holdings) Limited (<i>Note b</i>)	260,468,987 (24.58%)
Shine Trip Limited (<i>Note b</i>)	245,483,199 (23.16%)
Elan Investments Limited (<i>Note c</i>)	189,541,000 (17.89%)

Notes:

- (a) The references to 306,545,800 shares relate to the same block of shares in the Company which were beneficially held by Montford Limited ("Montford") and its subsidiaries. Montford is a company wholly-owned by Blinco Enterprises Limited ("Blinco"), which is a wholly-owned subsidiary of Moon View Ventures Limited ("Moon View"), which in turn is a subsidiary of Pacific Electric Wire & Cable Company Limited ("PEWC") and therefore PEWC, Moon View and Blinco are deemed to be interested in such 306,545,800 shares as a result of Section 8(2), (3) and (4) of the SDI Ordinance.

Details of the interests held and/or deemed to be held by PEWC, Moon View, Blinco and Montford are set out in Note (A) to the paragraph headed "Directors' Interests in Securities" in this Report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

- (b) Shine Trip Limited is a wholly-owned subsidiary of Rivera (Holdings) Limited ("RHL") and the interest of Shine Trip Limited therefore constituted a part of the total interests of RHL as declared above pursuant to Section 8(2), (3) and (4) of the SDI Ordinance.

Details of the interests deemed to be held by RHL under the SDI Ordinance are set out in Note (C) to the paragraph headed "Directors' Interests in Securities" in this Report.

- (c) Since Elan Investments Limited ("Elan") is a wholly-owned subsidiary of Montford, hence, pursuant to Section 8(2), (3) and (4) of the SDI Ordinance, the total number of shares shown under the name of Montford included, inter alia, the entire interest held by Elan of 189,541,000 shares as declared above.

Save for the above interests, the Directors of the Company are not aware of any person being interested in at least 10% of the total issued share capital of the Company as at 31st December, 2000.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or subsisted during the year ended 31st December, 2000.

FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the preceding five financial years/period is set out on page 147.

AUDITORS

The financial statements for the year have been audited by Messrs Deloitte Touche Tohmatsu who were the Auditors of the Company for the preceding three financial years.

They will retire at the conclusion of the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code of Best Practice set out in Appendix 14 to the Listing Rules of the Stock Exchange throughout the year ended 31st December, 2000.

An Audit Committee has already been set up by the Directors and is now composed of Madam Tung Wai Yee and Mr Lu Yao-Tsu, both of whom are independent non-executive Directors of the Company. The Committee held regular meetings to review and supervise the Group's financial reporting process and internal controls together with the Auditors.

On behalf of the Board

Tong Cun Lin

Managing Director

Hong Kong, 12th April, 2001