



Report of the Directors

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 during the year were investment holding, and property development and investment.

The Company acted as an investment holding company during the year while the principal activities and other particulars of the Company's principal subsidiaries are listed out in Note 12 to the financial statements on pages 61 to 62.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st December, 2000 are set out on pages 39 to 79.

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).

Movements in reserves of the Group and of the Company during the year are shown in Note 18 to the financial statements on pages 73 to 75.

DONATIONS

No donations for charitable or other purposes were made by the Group during the year.

MAJOR CUSTOMERS AND SUPPLIERS

Of the turnover of the Group for the year, 79.59% were attributable to the Group's five largest customers and the largest customer accounted for 75.70%. 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 customers.

During the year, the Group had no suppliers whose goods or services were specific to the business of the Group and which were not readily available from alternative sources.

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FIXED ASSETS

Movements in fixed assets of the Group and of the Company during the year are shown in Note 11 to the financial statements on page 59.

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 and 19(a) to the financial statements on pages 68 and 76 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.

No interest was capitalised by the Group during the year ended 31st December, 2000.

SHARE CAPITAL AND WARRANTS

The Company issued a total of 251,690,948 units of bonus warrants (the "2000 Warrants") in October 1997. The 2000 Warrants entitled holders thereof to subscribe for shares in the capital of the Company at a subscription price of HK\$0.50 per share, subject to adjustment, during the period from 6th October, 1997 to 30th April, 2000. No 2000 Warrants have been exercised and the 2000 Warrants ceased to be valid after the expiry of subscription rights on 30th April, 2000.

During the year under review, the Company allotted and issued an aggregate of 82,000,000 new shares for cash consideration of HK\$4,100,000 on exercise of subscription rights pursuant to options granted to the Directors of the Company.

As at 31st December, 2000, 1,340,455,426 shares of HK\$0.05 each in the capital of the Company were in issue.

Details of the share capital and 2000 Warrants of the Company are shown in Note 17 to the financial statements on pages 68 to 72.

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.

Report of the Directors

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 Tong Cun Lin (<i>Chairman</i>)	
Madam Hsu Feng	
Mr Tung Ming-Hsun	(Appointed on 31st January, 2000)
Mr Tong Albert	(Appointed on 5th March, 2001)
Mr Liang Jung-chi	
(<i>Independent Non-Executive Director</i>)	
Madam Tung Wai Yee	
(<i>Independent Non-Executive Director</i>)	
Mr Hsu Michael Sun	(Resigned on 12th January, 2000)
Mr Wu Choi Sun, William	(Resigned on 6th February, 2001)

A profile of the existing Directors of the Company is shown on page 18.

No emoluments were paid to the Company's Directors during the year.

Pursuant to Article 73 of the Company's Articles of Association, Mr Tong Albert, being a Director appointed by the Board of Directors, shall hold office only until the next following annual general meeting after his appointment and will therefore retire at the forthcoming annual general meeting. Being eligible, he offers himself for re-election.

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 the Company's Articles of Association. Articles 77 to 79 provide that at each annual general meeting one-third of the Directors for the time being shall retire from office and the Directors to retire in every year shall be those who have been longest in office since their last election and shall be eligible for re-election. In this connection, Madam Hsu Feng will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offers herself 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).

Report of the Directors

DIRECTORS' RIGHTS 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 in September 1997 whereby the Directors of the Company are empowered to offer eligible persons, which include executive directors and employees of the Group, options to subscribe for shares in the capital of the Company, which is referred to in this paragraph as the "Share Option Scheme";
- (b) as at 1st January, 2000, the following Directors of the Company held options granted by the Company under the Share Option Scheme, details of which are shown as follows:

Name of Directors	Number of shares subject to the options	Subscription price per share	Date of expiry
Mr Tong Cun Lin	31,000,000	HK\$0.05	6th August, 2001
Madam Hsu Feng	31,000,000	HK\$0.05	6th August, 2001
Mr Hsu Michael Sun	31,000,000	HK\$0.05	6th August, 2001
Mr Wu Choi Sun, William	31,000,000	HK\$0.05	6th August, 2001

- (c) the option held by Mr Hsu Michael Sun lapsed on 12th February, 2000 upon expiry of one month after his resignation as a Director of the Company.
- (d) during the year, the following Directors of the Company exercised their options pursuant to the Share Option Scheme, details of which are shown as follows:

Name of Directors	Date of exercise	Number of shares subscribed for	Outstanding option as at 31st December, 2000
Mr Wu Choi Sun, William	11th March, 2000	20,000,000	11,000,000
Madam Hsu Feng	19th June, 2000	31,000,000	–
Mr Tong Cun Lin	21st December, 2000	31,000,000	–

- (e) save as disclosed herein, none of the Directors of the Company exercised any outstanding options or were granted any additional options pursuant to the Share Option Scheme during the year.

The outstanding option held by Mr Wu Choi Sun, William lapsed on 6th March, 2001 upon expiry of one month after his resignation as a Director of the Company.

Report of the Directors

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:

(1) the Company:

(a) Shares of HK\$0.05 each

Name of Directors	Personal Interests	Number of shares in the Company			Total
		Family Interests	Corporate Interests	Other Interests	
Mr Tong Cun Lin(A)	198,109,220	Nil	Nil	Nil	198,109,220
Madam Hsu Feng(A)	31,000,000	Nil	Nil	Nil	31,000,000
Mr Wu Choi Sun, William (B)	20,000,000	Nil	Nil	Nil	20,000,000
Mr Tung Ming-Hsun	Nil	Nil	Nil	Nil	Nil
Mr Liang Jung-chi	Nil	Nil	Nil	Nil	Nil
Madam Tung Wai Yee	Nil	Nil	Nil	Nil	Nil

(b) Employee Share Option Scheme

As at 31st December, 2000, Mr Wu Choi Sun, William held an option under the employee share option scheme of the Company, pursuant to which he was entitled to subscribe for 11,000,000 shares of HK\$0.05 each in the Company at a subscription price of HK\$0.05 per share. Such option lapsed on 6th March, 2001 upon the expiry of a period of one month following his resignation as a Director of the Company.

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DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(2) the Company's associated company: Pudong Development Holdings Limited ("PDHL")

(a) Shares of HK\$0.50 each

Name of Directors	Personal Interests	Number of shares in PDHL			Total
		Family Interests	Corporate Interests	Other Interests	
Mr Tong Cun Lin(A)	52,490,750	Nil	Nil(C)	Nil	52,490,750
Madam Hsu Feng(A)	22,000,000	Nil	Nil	Nil	22,000,000
Mr Wu Choi Sun, William(B)	Nil	Nil	Nil	Nil	Nil
Mr Tung Ming-Hsun	Nil	Nil	Nil	Nil	Nil
Mr Liang Jung-chi	Nil	Nil	Nil	Nil	Nil
Madam Tung Wai Yee	Nil	Nil	Nil	Nil	Nil

(b) Employee Share Option Scheme

Mr Tong Cun Lin and Madam Hsu Feng, who are also directors of PDHL, held an option under the employee share option scheme of PDHL, pursuant to which they are entitled to subscribe for 3,000,000 and 2,000,000 PDHL shares respectively at a subscription price of HK\$0.51 per share. All the options are exercisable on or before 17th May, 2001.

Notes:

(A) Mr Tong Cun Lin and Madam Hsu Feng are husband and wife.

(B) Mr Wu Choi Sun, William has resigned as Director of the Company with effect from 6th February, 2001.

(C) A total of 260,468,987 shares in PDHL were beneficially owned by Forty Enterprises Company Limited and Shine Trip Limited, both being private companies incorporated in Hong Kong and wholly-owned subsidiaries of the Company.

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DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

An aggregate of 150,000,000 shares out of the above number of PDHL shares 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 is a substantial shareholder of the Company.

Save as disclosed above and in the paragraph headed "Directors' Rights to Purchase Shares or Debentures" in this Report, 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.

SIGNIFICANT CONTRACTS

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 during or at the end of the year.

PENSION SCHEMES

The Group did not operate any pension scheme for its Directors or employees at any time during the year or at the end of the year.

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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)
Peace Forest Limited (<i>Note</i>)	270,692,942 (20.19%)
Mr Sung Tze Chun (<i>Note</i>)	270,692,942 (20.19%)
Mr Tong Cun Lin	198,109,220 (14.78%)

Note: The 270,692,942 shares relate to the same block of shares in the Company which were beneficially held by Peace Forest Limited. Mr Sung Tze Chun is a director and a substantial shareholder of Peace Forest Limited controlling the exercise of more than one-third of voting power at its general meetings and hence Mr Sung is deemed to be interested in such shares pursuant to Section 8(2), (3) and (4) of the SDI Ordinance.

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 pages 82 to 83.

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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 to review and supervise the Group's financial reporting process and internal controls. The Committee is composed of the independent non-executive Directors of the Company, Madam Tung Wai Yee and Mr Liang Jung-chi, and held regular meetings to review the results of the Group together with the Auditors.

On behalf of the Board

Tong Cun Lin

Chairman

Hong Kong, 12th April, 2001