

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consisted of property investment, property management and investment holding. There were no significant changes in the nature of the Group's principal activities during the year.

Segmental information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations is as follows:

	Turnover		Contribution to profit from operating activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By principal activity:				
Rental and management fee income	21,937	20,608	9,014	6,743
Investment income, interest income and profit on disposal of listed investments	814	3,566	(142)	1,166
Profit on disposal of an investment property	1,000	–	1,000	–
Income on the provision of financial services	–	611	(6,018)	(3,290)
	<u>23,751</u>	<u>24,785</u>	<u>3,854</u>	<u>4,619</u>
By geographical area:				
The People's Republic of China (The "PRC")				
Hong Kong	23,751	24,171	9,936	7,969
Elsewhere	–	614	(6,082)	(3,350)
	<u>23,751</u>	<u>24,785</u>	<u>3,854</u>	<u>4,619</u>

Results and dividends

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 52.

The directors do not recommend the payment of any dividend in respect of the year.

Summary financial information

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 56 of this annual report. This summary is not part of the audited financial statements.

Fixed assets and investment properties

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 11 to the financial statements. Particulars of the major properties of the Group as at the balance sheet date are set out on pages 53 to 55 of this annual report.

Subsidiaries, jointly-controlled entity and associates

Particulars of the Company's principal subsidiaries, its jointly-controlled entity and associates at the balance sheet date are set out in notes 12, 13 and 14 to the financial statements, respectively.

Bank loans

Details of the Group's bank loans at the balance sheet date are set out in note 18 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements.

Reserves (Continued)

At 31 December 2000, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$380,327,000 (1999: HK\$386,632,000). In addition, under the laws of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

Sales to and purchases from the Group's five largest customers and suppliers, respectively, accounted for less than 30% of the total sales and purchases for the year.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in the five largest customers and suppliers.

Directors

The directors of the Company during the year were as follows:

Executive directors:

Zhang Yanlin (*Chairman*)

Su Genqiang (*Vice-Chairman*)

Zhang Yanjun (*appointed as Managing Director on 14 March 2000*)

Liu Hua (*resigned on 14 March 2000*)

Non-executive director:

Leung Shun Sang, Tony

Independent non-executive directors:

Kwok Lam Kwong, Larry

Tam King Ching, Kenny

Choy Hok Man, Constance (*appointed on 3 April 2000*)

Subsequent to the balance sheet date, on 19 April 2001, Zhang Yanlin resigned as chairman and director of the Company and Wang Qinghai was appointed as chairman and director of the Company.

Directors (Continued)

In accordance with clauses 99(A) and 102(B) of the Company's bye-laws, Su Genqiang, Tam King Ching, Kenny and Wang Qinghai will retire from office and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' service contracts

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

Directors' interests in contracts

No director had a material interest in any contract of significance to the business of the Company to which the Company or any of its holding companies, fellow subsidiaries, subsidiaries, jointly-controlled entity and associates was a party during the year.

Directors' interests in shares

None of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

Directors' rights to acquire shares

On 11 April 1991, Shougang Concord International Enterprises Company Limited ("Shougang International") approved a share option scheme under which the directors may, at their discretion, invite employees of the company and its subsidiaries, including directors, to take up options to subscribe for shares of the company.

Directors' rights to acquire shares (Continued)

At the balance sheet date, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Name of corporation in which interest is held	Number of shares under option	Nature of interest
Zhang Yanlin	Shougang International <i>(note (a))</i>	4,000,000 <i>(note (b))</i>	Personal
Leung Shun Sang, Tony	Shougang International <i>(note (a))</i>	2,600,000 <i>(note (c))</i>	Personal

Notes:

- (a) Shougang International was the indirect holder of approximately 63% of the issued share capital of the Company, as further detailed in the paragraph headed "Substantial shareholders" below.
- (b) The options to subscribe for shares of HK\$0.20 each in the capital of Shougang International are exercisable at any time during the period from 26 June 1997 to 10 April 2001 at a subscription price of HK\$1.355 per share, subject to adjustment.
- (c) The options to subscribe for shares of HK\$0.20 each in the capital of Shougang International are exercisable at any time during the period from 10 July 1997 to 10 April 2001 at a subscription price of HK\$1.355 per share, subject to adjustment.

No share options were granted to or exercised by any director during the year pursuant to Shougang International's share option scheme, or the Company's share option scheme as detailed in note 20 to the financial statements.

On 14 March 2000, Liu Hua waived the share options previously granted to him for cancellation upon his resignation as director on that date.

Subsequent to the balance sheet date, the share options previously granted to Zhang Yanlin and Leung Shun Sang, Tony expired and lapsed on 10 April 2001.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its holding companies, fellow subsidiaries, subsidiaries, jointly-controlled entity and associates a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders

At the balance sheet date, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	%
(i) Shougang Holding (Hong Kong) Limited	521,982,508	63
(ii) Shougang International	521,982,508	63
(iii) Fast Track Investments Limited ("Fast Track")	521,982,508	63
(iv) Essential Assets Corp.	417,952,049	50
(v) Hatley Trading Limited	104,030,459	13

Essential Assets Corp. and Hatley Trading Limited are wholly-owned subsidiaries of Fast Track. Fast Track is a wholly-owned subsidiary of Shougang International. Shougang International is controlled by Shougang Holding (Hong Kong) Limited, which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise in the PRC. Accordingly, the interests disclosed by parties (i), (ii) and (iii) above are in respect of the same shareholding of the aggregate of parties (iv) and (v).

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Emoluments of directors and the five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Purchase, redemption or sale of listed securities of the Company

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

Code of best practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of the Hong Kong Limited throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the accounting period covered by the annual report. The audit committee meets at least twice a year and has written terms of reference.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Su Genqiang

Vice-Chairman

Hong Kong, 19 April 2001