

The Directors would like to present their report together with the audited accounts for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company and the principal activities of its subsidiary companies are property development, investment and management in the People's Republic of China ("PRC") and Hong Kong Special Administrative Region of the PRC ("Hong Kong"). The Group also invested in the operations of TransOnline in the PRC and extended its operation to the provision of gas installation services in the PRC during the year.

An analysis of the Group's turnover and contribution to operating results for the year by principal activities is set out in note 2 to the accounts:

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 26 of the annual report.

The directors do not recommend the payment of a dividend for the year ended 31st December 2000.

RESERVES

Particulars of the movements in reserves of the Group and the Company during the year are set out in note 21 to the accounts.

FIXED ASSETS

Particulars of the movements in fixed assets of the Group and the Company during the year are set out in note 11 to the accounts.

PRINCIPAL PROPERTIES

Particulars of the principal properties of the Group are set out on pages 58 and 59.

SHARE CAPITAL

Particulars of the movements in the share capital of the Company are set out in note 20 to the accounts.

SHORT-TERM AND LONG-TERM LOANS

Particulars of short-term and long-term loans of the Group as at 31st December 2000 are set out in notes 19 and 22 to the accounts.

BORROWING COSTS

The amount of interest capitalised by the Group during the year is set out in note 4 to the accounts.

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years and assets and liabilities of the Group as at the end of the last five financial years is set out on page 60.

DIRECTORS

The directors during the year were:

Executive Directors

Mr Chan Chak Shing

Mr Chan Hon Ching

Mr Pau Kwok Ping *(also known as Bao Guo Ping)*

Mr Li Hok Wing *(also known as Li Xue Rong)*

Ms Lo Mei Chun

Non-executive Director

Ms Chiu King Cheung

Independent Non-executive Directors

Mr Wong Po Yan

Mr Chan Kay Cheung

In accordance with Article 116 of the Company's Articles of Association, Mr Li Hok Wing and Mr Chan Kay Cheung will retire at the forthcoming annual general meeting of the Company. Both the retiring directors, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr Chan Chak Shing, Mr Chan Hon Ching, Mr Pau Kwok Ping, Mr Li Hok Wing and Ms Chiu King Cheung has entered into a service contract with the Company in relation to their respective appointments as directors of the Company. Each service contract is for an initial term of 3 years commencing on 5th July 1997 and will continue thereafter unless and until terminated by either party by not less than 3 months' prior written notice.

Save as disclosed above, none of the directors has or is proposed to have a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out on pages 15 and 16.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding company or its fellow subsidiaries was a party, and in which any director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Details of the connected transactions entered into by the Group during the year are set out below:

- (a) The Group disposed of its 100% interest in Suzhou Jicheng Real Estate Building Co., Ltd. to Winsan (Fujian) Industrial Co., Ltd. ("Winsan Industrial"), a 50.45% owned subsidiary of the Company, at a consideration of RMB66,258,000 (HK\$62,472,000) giving rise to a loss to the Group of HK\$2,766,000.
- (b) During the year, Winsan Industrial provided advances to certain of the Company's wholly-owned subsidiaries. Partly in consideration of the above, certain of the Company's wholly-owned subsidiaries provided property securities and corporate guarantees as securities for bank loans granted to Winsan Industrial. The net advances made by Winsan Industrial to the Group amounted to HK\$17,520,000 (1999: HK\$11,992,000) as at 31st December 2000.
- (c) The Group paid interest of HK\$3,945,000 (1999: HK\$4,017,000) to Winsan International Holdings Limited, the ultimate holding company. Such interest was calculated at Hong Kong dollar prime rate on the amount due to the ultimate holding company, which amounted to HK\$35,259,000 (1999: HK\$46,135,000) as at 31st December 2000.

CONNECTED TRANSACTIONS *(continued)*

The above connected transactions are disclosed in accordance with the requirements under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). In the opinion of the independent non-executive directors of the Company, the above transactions were carried out on normal commercial terms and in the ordinary course of business of the Group.

DIRECTORS’ INTEREST IN EQUITY AND DEBT SECURITIES

As at 31st December 2000, the interests of the directors in the share capital of the Company and its associated corporations, as defined in the Securities (Disclosure of Interests) Ordinance (“the SDI Ordinance”), recorded in the register required to be kept under section 29 of the SDI Ordinance are as follows:

(a) Interest in shares of the Company of HK\$0.10 each

Name of director	Nature of interest	Number of ordinary shares
Mr Chan Chak Shing	Corporate	663,062,500
	Family	33,000,000
Mr Chan Hon Ching	Personal	11,250,000
Mr Pau Kwok Ping	Personal	5,750,000
Mr Li Hok Wing	Personal	4,750,000
Ms Chiu King Cheung	Personal	3,812,500
Ms Lo Mei Chun	Personal	3,750,000

The corporate interest of Mr Chan Chak Shing represents the shares held by Winsan International Holdings Limited, which is beneficially owned and controlled by Mr Chan Chak Shing. The family interest of Mr Chan Chak Shing represents the shares held by Ms Wong Wan Kai, wife of Mr Chan Chak Shing.

DIRECTORS' INTEREST IN EQUITY AND DEBT SECURITIES *(continued)*

(b) Interest in shares of subsidiary companies

Name of subsidiary companies	Name of director	Nature of interest	Number of non-voting deferred shares	Number of ordinary shares
Winsan Company Limited	Mr Chan Chak Shing	Personal	9,998	—
Winsan Jin Ling Company Limited	Mr Chan Chak Shing	Personal Family	9,900 100	—
Hing Hung Yip Company Limited	Mr Chan Chak Shing Mr Chan Hon Ching	Personal Personal	9,998 2	—
Winsan (Fujian) Industrial Co., Ltd.	Mr Chan Hon Ching Mr Pau Kwok Ping Mr Li Hok Wing Ms Chiu King Cheung	Personal Personal Personal Personal	— — — —	28,780 31,980 31,980 30,380

DIRECTORS' INTEREST IN EQUITY AND DEBT SECURITIES (continued)

(c) Share options

Under the Share Option Scheme of the Company, the directors shall have the power at any time within a period of ten years from 5th July 1997 to make offers to any directors or employees of the Group to take up options to subscribe for shares in the Company subject to certain terms and conditions. The following directors were granted options exercisable at any time within ten years from the date of grant:

Name of director	Date of grant	Number of options granted as at 31st December 2000	Options exercised during the year	Exercise price	Number of outstanding options as at 31st December 2000
Mr Chan Chak Shing	1st September 1997	16,000,000	—	HK\$1.53	16,000,000
	31st March 1998	11,500,000	—	HK\$0.36	11,500,000
	16th February 2000	5,300,000	3,000,000	HK\$0.24	2,300,000
Mr Chan Hon Ching	1st September 1997	1,000,000	—	HK\$1.53	1,000,000
	31st March 1998	22,000,000	—	HK\$0.36	22,000,000
	16th February 2000	2,000,000	—	HK\$0.24	2,000,000
Mr Pau Kwok Ping	1st September 1997	1,000,000	—	HK\$1.53	1,000,000
	31st March 1998	2,000,000	2,000,000	HK\$0.36	—
	16th February 2000	1,000,000	1,000,000	HK\$0.24	—
	30th October 2000	1,000,000	—	HK\$0.173	1,000,000
Mr Li Hok Wing	31st August 1997	1,000,000	—	HK\$1.53	1,000,000
	31st March 1998	2,000,000	—	HK\$0.36	2,000,000
	16th February 2000	1,000,000	1,000,000	HK\$0.24	—
	30th October 2000	1,000,000	—	HK\$0.173	1,000,000
Ms Chiu King Cheung	1st September 1997	1,000,000	—	HK\$1.53	1,000,000
	31st March 1998	22,000,000	—	HK\$0.36	22,000,000
	16th February 2000	2,000,000	1,000,000	HK\$0.24	1,000,000
Ms Lo Mei Chun	1st September 1997	600,000	—	HK\$1.53	600,000
	31st March 1998	1,500,000	1,500,000	HK\$0.36	—
	16th February 2000	1,000,000	1,000,000	HK\$0.24	—
	30th October 2000	1,000,000	—	HK\$0.173	1,000,000
		<u>96,900,000</u>	<u>10,500,000</u>		<u>86,400,000</u>

DIRECTORS' INTEREST IN EQUITY AND DEBT SECURITIES *(continued)***(c) Share options** *(continued)*

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its holding company or its fellow subsidiaries a party to any arrangements to enable the directors of the Company or their respective associates (as defined under the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Apart from the 696,062,500 shares of the Company held by Winsan International Holdings Limited and Ms Wong Wan Kai, as disclosed under the corporate and family interests of Mr Chan Chak Shing in the section headed "Directors' interests in equity and debt securities" above, the Company has not been notified of any interest amounting to 10% or more of the issued share capital of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws in the Cayman Islands.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's turnover and purchases were attributable to its five largest customers and suppliers.

RETIREMENT SCHEMES

Particulars of the Group's retirement schemes are set out in note 9 to the accounts.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The directors are pleased to confirm that throughout the year ended 31st December 2000 the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

An audit committee was formally established in April 2000 and it comprises three non-executive directors namely Mr Chan Kay Cheung, Mr Wong Po Yan and Ms Chiu King Cheung (Mr Chan and Mr Wong are independent non-executive directors) with written terms of reference prepared in accordance with the "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants. They will meet at least twice a year to review the Group's financial reporting processes, internal control procedures, the interim and final financial statements, and to liaise with the Group's external auditors on behalf of the Board.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Chak Shing

Chairman

Hong Kong, 23rd April 2001