

**DIRECTORS' REPORT**

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

**CORPORATE REORGANISATION**

The Group underwent and completed a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of introduction during the year. The shares of the Company have been listed on the Stock Exchange with effect from 24 May 2000.

**PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of the subsidiaries are set out in note 1 to the financial statements.

**RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 16.

The directors do not recommend the payment of any interim or final dividend for the year ended 31 December 2000.

**RESERVES**

Movements in the reserves of the Company and the Group during the year are set out note 28 to the financial statements.

**DISTRIBUTABLE RESERVES**

Reserves of the Company which are available for distribution to shareholders at 31 December 2000 amounted to HK\$226,740,000.

**FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 55.

**INVESTMENT PROPERTIES**

Movements during the year in investment properties of the Group are set out in note 16 to the financial statements.

**PROPERTY, PLANT AND EQUIPMENT**

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in note 26 and 27 to the financial statements respectively.

## SUBSEQUENT EVENT

Details of a subsequent event are set out in note 41 to the financial statements.

## RETIREMENT AND PENSION PLANS

The group companies operating in the People's Republic of China ("PRC") have participated in defined contribution retirement schemes organized by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. These group companies are required to make specific contributions to the retirement schemes at a rate of 19% of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid for the year ended 31 December 2000 amounted to approximately HK\$74,000.

No retirement benefit is provided to employees of other non-PRC group companies prior to 1 December 2000.

With effective from 1 December 2000, the Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made no retirement benefits scheme contributions.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2000, turnover attributable to the Group's largest customer accounted for approximately 19% of the Group's consolidated turnover and aggregate turnover attributable to the five largest customers of the Group accounted for approximately 68% of the Group's consolidated turnover.

For the year ended 31 December 2000, purchases attributable to the Group's largest supplier accounted for approximately 72% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 85% of the Group's total purchases.

To the knowledge of the Directors, none of the Director, or their respective associates, or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest customers or suppliers.

**DIRECTORS**

The Directors of the Company during the year and up to date of this report were:

**Executive Directors**

Mr. Leung Kwo (*Chairman*)  
Mr. He Guang (resigned on 7 June 2000)  
Mr. Albert Lo  
Mr. Han Junran  
Mr. Lu Gong (appointed on 7 April 2001)

**Non-executive Directors**

Mr. Long Tao  
Mr. Tung Tat Chiu, Michael (resigned on 19 January 2000)

**Independent Non-executive Directors**

Mr. Lee Wei (appointed on 7 January 2000 and  
resigned on 5 March 2001)  
Mr. Chan Wai Dune, Charles (appointed on 19 January 2000 and  
resigned on 2 November 2000)  
Mr. Lam Tak Shing (appointed on 5 March 2001)  
Mr. Ip Chun Chung, Robert (appointed on 5 March 2001)

In accordance with the provisions of Company's Articles of Association, Messrs. Lu Gong, Long Tao, Ip Chun Chung, Robert and Lam Tak Shing shall retire from office and, being eligible, offer themselves for re-election.

**DIRECTORS' SERVICE CONTRACTS**

Each of the Executive Directors has entered into a service agreement with the Company for a period of two years, (in the case of Mr. Leung Kwo ("Mr. Leung"), three years) commencing on 1 February 2000.

Other than Mr. Chan Wai Dune, Charles who was appointed as a Non-executive Director for a term expiring on 18 January 2001, the term of office of each of Non-executive Directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

There are no service contracts, which are not determinable by the Company within one year without payment of compensation (other than statutory compensation), of any director for re-election at the forthcoming annual general meeting.

**DIRECTORS' INTERESTS IN SHARES****(1) Shares**

As at 31 December 2000, the interests of the Directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") were as follows:

<b>Name of Director</b>	<b>Number of shares held Personal interests</b>
Mr. Leung	2,300,000

Other than as disclosed above and certain nominee shares in subsidiaries held by the directors in trust for the Group, none of the directors and their associates had and has any beneficial interest in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which is required to be recorded in the Register of Directors' Interests pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**(2) Share options**

A director had personal interests in the share options granted during the year to subscribe for shares in the Company at an exercise price of HK\$1.04 per share and the details are as follows:

<b>Name of director</b>	<b>Period during which the share options are exercisable</b>	<b>Number of share options granted and accepted during the year</b>	<b>Number of share options exercised during the year</b>	<b>Number of unexercised share options at 31 December 2000</b>
Mr. Leung	27 July 2000 to 26 July 2003	6,250,000	2,300,000	3,950,000

**ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

The Company has adopted a share option scheme for employees, including directors during the year ended 31 December 2000. Details of share option scheme and movements of share options during the year are set out in note 27 to the financial statements.

Other than the share option scheme for employees of the Company or any of its subsidiaries as disclosed above, at no time during 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.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under note 39 to the financial statements, 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.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

At no time during the year, did the Company or any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

### SUBSTANTIAL SHAREHOLDERS

As at the date of the balance sheet, the persons, other than a Director or chief executive of the Company, who will be directly or indirectly interested in 10% or more of the shares of the Company are as follows:

Name	Number of shares	Approximate percentage of holding
New Rank Groups Limited ("NRG")	125,254,297	49.6%
Silver World Limited	125,254,297	49.6%
Royal Bank of Canada Trust Company (Cayman) Limited	125,254,297	49.6%

*Notes:*

- (1) NRG is a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited ("Royal Bank Trustee").
- (2) Royal Bank Trustee is the trustee of a discretionary trust called New Rank Trust. The beneficiaries of the New Rank Trust include a holding company and its wholly-owned subsidiary and certain relatives of Mr. Leung and Ms. Lau Suen, wife of Mr. Leung, provided that such individuals are not residents of Canada for tax purpose nor residents of the PRC. The holding company is wholly-owned by another discretionary trust called Hold Trust.
- (3) The beneficiaries under the Hold Trust include the lineal descendants (together with their spouses) of every degree of consanguinity of the paternal grandfather and maternal grandfather of each of Mr. Leung and Ms. Lau Suen provided that they are not residents of Canada for tax purposes nor residents of the PRC.
- (4) Under letters of wishes (which are not legally binding) issued to the trustees of both trusts, the trustees are requested to obtain the views of Ms. Lau Suen (or upon her death, Mr. Leung) from time to time on all matters relating to the trusts and consider her views as if they were the settler's.

**SUBSTANTIAL SHAREHOLDERS (continued)**

So far as is known to any Director or chief executive of the Company, the only company (other than members of the Group) directly or indirectly interested in 10% or more of the voting power at general meetings of the subsidiaries of the Company is set out below:

Name of owner	Name of subsidiary	Percentage of equity interest
Guozheng Economic Development Company Limited ("Guozheng")	Beijing Zhong Zheng Real Estate Development Co., Ltd. ("Beijing Zhong Zheng")	34% (Note)

*Note:*

Beijing Zhong Zheng was established on 5 June 1995. Its existing joint venture partners are Tong Sun Limited ("Tong Sun"), a subsidiary of the Company, Guozheng and Beijing Finance Street Construction & Development Co. Ltd. (Finance Street Development) and its capital contributions are as to 66% by Tong Sun and 34% by Guozheng. Pursuant to an agreement entered into between Finance Street Development, Guozheng and Tong Sun on 9 October 1999, Tong Sun became entitled to 100% of the economic benefit of Beijing Zhong Zheng and Guozheng becomes entitled to a fixed distribution by way of the ownership right of an office space in the China Securities Building, the property being developed by Beijing Zhong Zheng, of gross floor area of 7,000 square metres upon the completion of construction of the China Securities Building.

**PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

**COMPLIANCE WITH CODE OF BEST PRACTICE**

The Company has complied in the period between its listing date and 31 December 2000 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

**AUDITORS**

Messrs. Arthur Anderson & Co., were auditors of the Company for the period from the date of incorporation on 10 August 1998 to 31 December 1999 and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company for the year ended 31 December 2000. A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

**Leung Kwo**

*Chairman*

Hong Kong, 25 April 2001