

Report of the Directors

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries, joint ventures and the principal associates are set out in detail in notes 14, 15 and 16, respectively, to the financial statements.

There was no change in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations for the year ended 31st December, 2000 is as follows:

	2000		1999	
	Turnover	Contribution to loss from operating activities	Turnover	Contribution to loss from operating activities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Infrastructure investment	7,774	1,820	11,524	6,586
Property development and investment	106,631	33,843	34,283	(10,323)
Investment in high technology related businesses	—	(26,805)	—	—
Trading and others	5,132	(55,668)	816	(47,871)
	<u>119,537</u>	<u>(46,810)</u>	<u>46,623</u>	<u>(51,608)</u>
By geographical area:				
The People's Republic of China				
Mainland China	101,873	(2,806)	45,543	(6,127)
Hong Kong	—	(46,000)	—	(45,692)
United States of America	17,664	1,996	1,080	211
	<u>119,537</u>	<u>(46,810)</u>	<u>46,623</u>	<u>(51,608)</u>

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RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st 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 20 to 62.

The directors do not recommend the payment of any dividend in respect of the year ended 31st December, 2000.

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 12 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

JOINT VENTURES AND ASSOCIATES

Particulars of the Group's interests in its joint ventures and principal associates are set out in notes 15 and 16 to the financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group at the balance sheet date are set out in notes 23 and 24 to the financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the Company's share capital, warrants and share options during the year and subsequent thereto, together with the reasons therefor, are set out in notes 26 and 31 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st December, 2000, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$165,500,000. In addition, the Company's share premium account and capital redemption reserve may be distributed in the form of fully paid bonus shares.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$65,000 (1999: HK\$76,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

The purchases attributable to the five largest suppliers accounted for 86% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 67%. Purchases during the year not yet charged to the profit and loss account, including the cost of construction work for properties under development, have been included in determining this percentage.

None of the directors, their associates or 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 suppliers.

DIRECTORS

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

Executive directors

Chan Boon Ning, John	(resigned on 23rd November, 2000)
Chang Xi Min	
Tsao Ke Wen, Calvin	
Yuen Chi Kong	
Chan King Nin, Colin	(appointed as, and ceased to be, an alternate director to Mr. Yuen Chi Kong on 7th December, 2000)
Wong Siu Kay, Joe	(appointed on 7th June, 2001)

Non-executive director

Ma Jun

Independent Non-executive directors

Huang Liang Chen
Shi Neng He

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DIRECTORS *(continued)*

In accordance with Bye-law 100 of the Company's Bye-laws, Mr. Wong Siu Kay, Joe retired and was re-elected as a director at the annual general meeting of the Company held on 28th September, 2001.

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Chang Xi Min and Mr. Shi Neng He retired and were re-elected as directors at the annual general meeting of the Company held on 28th September, 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Executive directors

Wong Siu Kay, Joe, aged 42, has been the chief executive officer and a director of the Company since June 2001. He has over fourteen years' experience in financial investment in Hong Kong and Singapore. Previously, he was the managing director of real estate and investment companies in Singapore and has established extensive business contacts not only in Singapore but also in Malaysia, Indonesia, Hong Kong and China. He is also experienced in strategic planning, marketing and management of information technology projects in Singapore, Hong Kong and Mainland China.

Chang Xi Min, aged 53, has been a director of the Company since November 1997, and is responsible for the Group's administration and operations. Prior to joining the Group, he was a reporter in Xiamen for more than six years, during which period he developed close contacts with various PRC officials. He was also a standing director of the Xiamen Chamber of Commerce, a standing executive committee member of the Chinese People's Political Consultative Conference of Zhang Jia Kou City, Heibei Province and an adviser to the municipal government of Zhang Jia Kou.

Tsao Ke Wen, Calvin, aged 38, joined the Company in 1996 and has been a director of the Company since March 1998. He has a bachelor's degree in accounting and financial management and has more than nine years of experience in trading, project financing, development and administration in Mainland China.

Yuen Chi Kong, aged 39, joined the Company in 1995 and has been a director of the Company since March 1998. He has diplomas in product management as well as sales and marketing management, and has more than thirteen years of experience in trading and project negotiation in Mainland China.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

(b) Non-executive director

Ma Jun, aged 39, has been a non-executive director of the Company since July 1999. He is the chief economist of China Huayu Development Corporation, a business partner of the Company.

(c) Independent non-executive directors

Huang Liang Chen, aged 89, has been an independent non-executive director of the Company since February 1993. He is a former Deputy Minister of Commerce in Mainland China. He is a member of the Standing Committee of the Chinese People's Political Consultative Conference, a council member of the China Association for the Advancement of International Friendship Advisor and a consultative member of the All China Federation of Industry and Commerce.

Shi Neng He, aged 79, is an independent non-executive director of the Company. He joined the Group in July 1998. He was a member of the Standing Committee of the Communist Party of Xiamen, the first deputy mayor of the Xiamen Municipal Government and the chairman of the Chinese People's Political Consultative Conference of Xiamen.

(d) Senior management

Chan King Nin, Colin, aged 47, has been the general manager of the Group since February 1993. He has a bachelor's degree in business administration and management and is responsible for the Group's sales and marketing. He has extensive experience in sales and marketing in Mainland China.

DIRECTORS' SERVICE CONTRACTS

No director who retired and was re-elected at the annual general meeting of the Company held on 28th September, 2001 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

Except as disclosed in note 21 to the financial statements, none of the directors had any beneficial interest, either direct or indirect, in any significant contract to which the Company, any of its holding companies or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

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DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31st December, 2000, none of the directors of the Company had any interest in the equity or debt securities of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") which was required 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 (including interests deemed to be held under section 31 or Part I of the Schedule to the SDI Ordinance), or which was required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which was required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option schemes, the Company granted options on the Company's ordinary shares in favour of certain directors of the Company during the year, details of which are as follows:

Name of directors	Period during which option is exercisable (both dates inclusive)	Price per ordinary share payable on exercise of option HK\$	Number of share options			Outstanding as at 31st December, 2000
			Granted during the year	Exercised during the year	Expired during the year	
Tsao Ke Wen, Calvin	29th January, 2000 to 28th June, 2000	0.246	26,325,605	—	26,325,605	—
	1st August, 2000 to 28th June, 2003	0.151	30,923,470	30,923,470	—	—
Yuen Chi Kong	29th January, 2000 to 28th June, 2000	0.246	26,325,605	—	26,325,605	—
	1st August, 2000 to 28th June, 2003	0.151	30,923,470	30,923,470	—	—
Chang Xi Min	29th January, 2000 to 28th June, 2000	0.246	26,325,605	—	26,325,605	—
	1st August, 2000 to 28th June, 2003	0.151	30,923,470	30,923,470	—	—
Name of ex-director						
Chan Boon Ning, John	29th January, 2000 to 28th June, 2000	0.246	26,325,605	26,325,605	—	—
	1st August, 2000 to 28th June, 2003	0.151	30,923,470	30,923,470	—	—

Note:

The options were granted at nil cash consideration.

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(continued)*

As at 1st January, 2000, the number of outstanding warrants held by Mr. Chan Boon Ning, John, an ex-director of the Company who resigned on 23rd November, 2000, was 105,270,387. The warrants were exercisable at any time during the period from 1st March, 2000 to 31st August, 2001 (both dates inclusive) at a subscription price of HK\$0.20 per share, subject to adjustment. During the year, Mr. Chan Boon Ning, John exercised 12,263,995 warrants to subscribe for 12,263,995 ordinary shares of HK\$0.10 each in the Company at a price of HK\$0.20 per share.

Except for the above, at no time during the year was the Company, any of its holding companies or any of its subsidiaries a party to any arrangement to enable the directors of the Company or chief executives or their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the following persons were interested in 10% or more of the issued share capital of the Company as required to be recorded in the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares of HK\$0.10 each		
	Personal interests	Corporate interests	Total interests
Chan Boon Ning, John	262,711,256	429,341,963 <i>(Note)</i>	692,053,219
Harrio Assets Limited	—	429,341,963 <i>(Note)</i>	429,341,963
Angklong Limited	—	429,341,963 <i>(Note)</i>	429,341,963

Note:

These shares represented the same parcel of shares held by Angklong Limited. Mr. Chan Boon Ning, John is the ultimate beneficial owner of the entire issued share capital of Harrio Assets Limited and Angklong Limited. He is an ex-director of the Company who resigned on 23rd November, 2000.

Save as disclosed above, as at 31st December, 2000, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

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

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

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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 existing shareholders.

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, throughout the financial year ended 31st December, 2000, except that the 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 provisions of the Company's Bye-laws.

The Company established an audit committee in 1999, comprising two independent non-executive directors and one non-executive director, in accordance with the Code of Best Practice. The principal duties of the audit committee include the review of the Company's financial reporting process and internal controls.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 31 to the financial statements.

AUDITORS

Ernst & Young retired and a resolution was passed at the annual general meeting of the Company held on 28th September, 2001 for their re-appointment as auditors of the Company.

ON BEHALF OF THE BOARD

Tsao Ke Wen, Calvin
Executive director

Hong Kong
30th October, 2001