

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31st December, 2000.

Principal Activities

The Company is an investment holding company. The Company and its principal subsidiary invest in listed and unlisted companies in Hong Kong and in other parts of the People's Republic of China (the "PRC").

All of the Group's turnover and contribution to operating results are attributable to investment activities which are carried out or originated principally in Hong Kong.

Results and Appropriations

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 14 of the financial statements.

The Directors do not recommend payment of a dividend for the year (1999: Nil).

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 10 to the financial statements.

Share Capital

Details of the share capital of the Company are set out in note 15 to the financial statements.

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 16 to the financial statements.

Directors

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

Executive Directors

Mr. Wong Fong Kim

Dr. Chow Pok Yu, Augustine

Mr. Lee Wa Lun, Warren

Independent Non-executive Directors

Mr. Hui Hung, Stephen

Dr. Wong Yun Kuen, Edward



Directors' Report

Directors (continued)

In accordance with the Company's Articles of Association, Dr. Wong Yun Kuen, Edward retires and, being eligible, offers himself for re-election.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office of each of the Independent Non-executive Directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

Directors' Interests in Shares

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 Interest) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Nature of interest	Number of shares of the Company
Mr. Wong Fong Kim (<i>Note</i>)	Corporate	25,000,000

Note: These shares are held by Ever Harvest Investment Limited, a company wholly owned by Mr. Wong Fong Kim.

Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or their spouse or children under 18 years of age had any right to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.



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Substantial Shareholders

As at 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, in addition to the interest disclosed above in respect of a Director, the following shareholder had an interest of 10% or more in the share capital of the Company:

Name of shareholder	Number of shares held
Fortuna Alliance Limited (<i>Note</i>)	25,000,000

Note: Fortuna Alliance Limited is wholly owned by Mr. Lam Andy Siu Wing who is deemed to be interested in those shares.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2000.

Investment Management Contract

Pursuant to an agreement dated 6th July, 1998, the Company has appointed Haywood Investment Management Limited, a company which is beneficially owned by Mr. Wong Fong Kim and Dr. Chow Pok Yu, Augustine as to 9% and 91% respectively as at 31st December, 2000, as its manager for the purpose of investment management and administration of the Company. In return, Haywood Investment Management Limited will be entitled to a monthly fee at 1.5% per annum of the net asset value of the Company of the preceding month and an incentive fee equivalent to 10% of the surplus in net asset value (with appropriate adjustment) over a financial year. During the year, the Company paid a management fee amounting to approximately HK\$1,427,000 to Haywood Investment Management Limited. In the opinion of the Independent Non-executive Directors, the payment of management fee was:

- (i) in the ordinary and usual course of the Company's business and was in accordance with the terms of the relevant agreement;
- (ii) on normal commercial terms and on an arm's length basis; and
- (iii) fair and reasonable so far as the shareholders of the Company are concerned.

Save as disclosed, 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.

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Purchase, Sale or Redemption of the Company's Listed Shares

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

Directors' Interest in Competing Business

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

Dr. Chow Pok Yu, Augustine is a director of Harmony Assets Limited and was a director of UBA Investments Limited prior to his resignation on 9th October 2000. Both companies are engaged in investments in listed and unlisted securities which constitute competing business to the Group.

The Board of Directors of the Group has established procedures to identify any conflict of interests due to Dr. Chow Pok Yu, Augustine's directorships in these companies. If conflict of interest arises, Dr. Chow Pok Yu, Augustine will abstain from participating in making investment decisions. The Group is therefore capable of carrying on such business independently of, and at arm's length from the said competing business.

Corporate Governance

The Company has complied throughout the year ended 31st December, 2000 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Dr. Chow Pok Yu, Augustine

Executive Director

Hong Kong, 20th April, 2001

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