

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.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries and associates are set out in note 17 and note 18 to the financial statements respectively. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTED INFORMATION

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

	Turnover HK\$'000	Contribution to profit from operating activities HK\$'000
By activity:		
Property development and investment	864,576	191,550
Transportation business	261,352	34,609
Others	65,842	(69,080)
	<u>1,191,770</u>	<u>157,079</u>
Share of results of associates		<u>397,328</u>
Profit before taxation		<u>554,407</u>
By geographical area:		
The People's Republic of China(The "PRC"):		
Hong Kong	18,698	5,499
The mainland	1,173,072	151,580
	<u>1,191,770</u>	<u>157,079</u>
Share of results of associates		<u>397,328</u>
Profit before taxation		<u>554,407</u>

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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 32 to 78.

An interim dividend of HK3.0 cents (1999: HK2.3 cents) per share was paid on 10 November 2000. The directors recommend the payment of a final dividend of HK5.0 cents (1999: HK3.7 cents) per share in respect of the year to shareholders on the register of members on 4 June 2001. The recommendation has been incorporated in the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate is set out on page 79. This summary is not part of the financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Company and the Group are set out in note 13 and 16 to the financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 17 to the financial statements.

PRINCIPAL ASSOCIATES

Particulars of the Company's and the Group's interests in its principal associates are set out in note 18 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Company and of the Group are set out in note 24 to the financial statements.

CONVERTIBLE BONDS

Details of the Group's convertible bonds are set out in note 25 to the financial statements.

INTEREST CAPITALISED

Interests of approximately HK\$23,302,000 (1999: HK\$20,966,000) was capitalised during the year in respect of the Group's properties under development for sale.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 28 to the financial statements.

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PURCHASES, SALE OF REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company, nor any of its subsidiaries purchased any of the Company's listed shares during the year.

During the year, the Company's wholly owned subsidiary repurchased convertible bonds with a nominal value of approximately HK\$148,296,000 for cancellation.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

DISRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$549,813,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's sales and purchases repectively.

None of the directors of the Company or any of their associates or any shareholders(which, to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interests of the Group's five largest customers or five largest suppliers.

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DIRECTORS

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

Executive directors:

Mr. Song Zhiwang	(appointed on 18 May 2000)
Mr. Liu Zixian	(appointed on 3 April 2001)
Mr. Sun Juyi	
Zhang Luzheng	
Zhu Qiyi	
Yang Yefang	
Mr. Xu Yang	(resigned on 18 May 2000)
Mr. Wen Gujian	(resigned on 3 April 2001)

Non-executive directors

Mr. Wong Po Yan
Mr. Lee Yip Wah, Peter

In accordance with Articles 92 and 101 of the Company's new Articles of Association, Messrs. Liu Zixian, Zhang Luzheng and Zhu Qiyi will retire by rotation, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The terms of office of the non-executive directors are subject to retirement as required by the Company's Articles of Association.

Save as disclosed above 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.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details the directors of the Company and the senior management of the Group are set out on pages 19 to 23 of the annual report.

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 7 and 8 to the financial statements, respectively.

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DIRECTORS SERVICE CONTRACTS

Mr. Sun Juyi, Mr. Zhang Luzheng, Mr. Zhu Qiyi and Mr. Yang Yefang have entered into a service agreement with the Company for an initial period of three years commencing 1 February 1998 which will continue thereafter unless and until terminated by either party by six months' prior written notice.

DIRECTORS IN INTERESTS IN CONTRACTS

No directors had a material interests in any contracts of significance to the business of the Group to which the Company, its subsidiaries, its holding company, or its fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2000, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

Pursuant to an ordinary resolution passed on 12 February 1997, a share option scheme was adopted whereby the directors of the Company, at their discretion, are authorised to invite employees of any member of the Group, including directors of any member of the Group, to take up options to subscribe for shares not exceeding 10 per cent of the issued share capital of the Company. Options issued under the Scheme are exercisable for a period up to three and a half years following the date of grant or to the expiry date of the Scheme, whichever is earlier.

At 4 January 2000, 31 May 2000, 15 June 2000 and 29 September 2000, options totalled 25,860,000 Shares, representing approximately 2.40 per cent of the issued share capital of the Company had been granted under the share option scheme. As at 31 December 2000, the director's interest in options to subscribe for the Company's shares as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

Name of director	Date granted	Option exercisable period	Subscription price per share	Number of Shares
				Issuable under options granted
SONG Zhiwang	15/5/2000	15/12/2000-14/12/2003	HK\$1.36	2,000,000

During the year under review, 3,000,000 of these options have been exercised.

Further details of the Company's share option scheme are set out in note 28 to the financial statements.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Saved as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or its associated corporations and none of the directors, or their spouse or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following interests of 10% or more of the 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	%
Shum Yip Holdings Company Limited	616,572,000	57.12

Saved as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company.

CONNECTED TRANSACTIONS

Details of the disclosable connected transactions for the year are set out in note 33 to the financial statements. In the opinion of the independent non-executive directors, these transactions were entered into by the Group:

- (i) in the ordinary and usual course of its business;
- (ii) on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (iii) in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to third parties; and
- (iv) within the relevant cap amounts as agreed by the Stock Exchange.

Save as disclosed above, there were no other transactions, which need to be disclosed as, connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

POST BALANCE SHEET EVENT

Details of the significant post balance sheet events of the Group are set out in note 34 to the financial statements.

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PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2000 with those paragraphs of the Code of Best Practice, set out in Appendix 14 of the Rules Governing the Listing Securities of the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") with which is required to report compliance. On 28 December 1998, the Company established an Audit Committee currently comprised of Mr. Wong Po Yan and Mr. Lee Yip Wah, Peter, independent non-executive directors. The Audit Committee has reviewed the Group's results for the year in a meeting held on 21 April 2001.

AUDITORS

During the year Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed by the directors as auditors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. Resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Song Zhiwang

Chairman

Hong Kong, 24 April, 2001