

Report of the Directors

The directors herein present their 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.

The principal activities of its subsidiaries comprise the provision of general construction services including decoration and electrical and mechanical works, property development, property investment, provision of property management and agency services and general trading.

Other than the commencement of the Group's general trading business, there were no changes in the Group's principal activities during the year.

Segmental information

An analysis of the Group's turnover and contribution to results from operating activities by principal activity and geographical area of operations for the years ended 31 December 2000 and 1999 is as follows:

	2000		1999	
	Turnover	Contribution to loss from operating activities	Turnover	Contribution to profit from operating activities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
General construction	56,325	(64,650)	145,004	57,740
Property development	21,038	(3,378)	12,764	2,725
Property investment	8,314	(8,112)	6,891	(7,817)
Property management and agency services	6,475	655	5,649	(616)
General trading	27,715	304	—	—
	<u>119,867</u>	<u>(75,181)</u>	<u>170,308</u>	<u>52,032</u>
By geographical area:				
The People's Republic of China (the "PRC")				
Hong Kong	33,850	(1,046)	1,459	(992)
Elsewhere	86,017	(74,135)	168,849	53,024
	<u>119,867</u>	<u>(75,181)</u>	<u>170,308</u>	<u>52,032</u>

Results and dividends

The Group's loss 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 20 to 61.

The directors do not recommend the payment of any dividend in respect of the year.

Summary financial information

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on pages 62 and 63 of the annual report. This summary is not part of the audited financial statements.

Fixed assets and investment properties

Details of movements in the fixed assets and investment properties of the Group are set out in notes 12 and 13 to the financial statements, respectively. Further particulars of the Group's leasehold land and buildings and investment properties are set out on page 64 of the annual report.

Properties under development

Details of movements in the properties under development of the Group are set out in note 14 to the financial statements.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 15 to the financial statements.

Jointly-controlled entity and associate

Particulars of the Company's jointly-controlled entity and associate are set out in notes 16 and 17 to the financial statements, respectively.

Bank loans, overdrafts and other borrowings

Details of the bank loans, overdrafts and other borrowings of the Company and the Group are set out in note 30 to the financial statements.

Share capital, share options and warrants

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in note 27 to the financial statements.

Report of the Directors (Continued)

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.

Purchase, sale or redemption of listed securities of the Company

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

Reserves

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

Distributable reserves

At 31 December 2000, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$123,957,000. In addition, the Company's share premium account, in the amount of HK\$25,942,000, may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 40% of the total turnover for the year and turnover to the largest customer included therein amounted to approximately 13%.

Purchases from the Group's five largest suppliers accounted for approximately 48% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 32%.

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 interest in the Group's five largest customers or five largest suppliers.

Directors

The directors of the Company during the year were:

Executive directors:

Mr. Choi Wai Him

Mr. Wong Chi Kwong

Mr. Liang Yi Hua

Independent non-executive directors:

Mdm. Chen Po Sum

Mr. Au Son Yiu

Mr. Tsao Kwang Yung, Peter

In accordance with the Company's bye-laws 87(1) and (2), Mr. Wong Chi Kwong will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. All of the other directors shall remain in office for the ensuing year.

Biographies of directors and senior management

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

Emoluments of directors and the five highest paid individuals

Details of the emoluments of the directors and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

Directors' service contracts

All of the executive directors have entered into service contracts with the Company for terms of two years commencing on 10 November 1999 and will continue thereafter unless and until terminated by either party with six months' prior notice in writing expiring not earlier than the date of expiry of the aforesaid terms.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting had 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

No director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

Report of the Directors (Continued)

Directors' interests in shares and warrants

At 31 December 2000, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

Interests in the Company's shares

	Notes	Number of shares held as corporate interest
Mr. Choi Wai Him	(a)	177,000,000
Mr. Wong Chi Kwong	(b)	<u>14,062,500</u>

Interests in the Company's warrants

	Notes	Number of warrants held as corporate interest
Mr. Choi Wai Him	(a)	19,493,750
Mr. Wong Chi Kwong	(b)	<u>1,406,250</u>

Notes:

- (a) 177,000,000 shares and 19,493,750 warrants are held by Perfect Land Limited of which the entire issued share capital is held by GMA Limited which is, in turn, wholly-owned by Mr. Choi Wai Him. These 177,000,000 shares represented an aggregate of 59.0% of the issued share capital of the Company as at 31 December 2000.
- (b) 14,062,500 shares and 1,406,250 warrants are held by Capetown International Limited of which the entire issued share capital is held by Mr. Wong Chi Kwong. These 14,062,500 shares represented an aggregate of 4.69% of the issued share capital of the Company as at 31 December 2000.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors' rights to acquire shares

Pursuant to the Company's share option scheme, as detailed in note 27 to the financial statements, and approved by shareholders at a special general meeting held on 10 November 1999, the directors may invite full-time employees of the Company or any of its subsidiaries, including any executive directors of the Company or any of its subsidiaries, to take up options to subscribe for shares in the Company. Further details of the Company's share option scheme are set out in note 27 to the financial statements.

No option was granted under share option scheme to any director or their respective spouse or children under 18 years of age during the year.

Apart from the foregoing, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

Other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and warrants" above, no person had registered an interest in the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Connected transactions

Details of the connected transactions of the Group during the year are set out in note 34 to the financial statements.

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, respectively.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by this report, except that the non-executive directors are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting in accordance with bye-laws 87(1) and (2) of the Company.

Audit Committee

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the accounting period covered by the annual report.

Report of the Directors (Continued)

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Choi Wai Him

Chairman

Hong Kong, 26 April 2001