

Report of the Directors

The directors present their report and the audited financial statements of the Company and of 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 principal subsidiaries are set out in note 46 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 profit before tax by principal activity and geographical area of operations for the years ended 31 December 1999 and 2000 is as follows:

For Year 2000

	Turnover			Contribution to profit before tax			
	Group and share of jointly- controlled entities HK\$'000	Attributable to jointly- controlled entities HK\$'000	Attributable to the Group HK\$'000	Attributable to the Group HK\$'000	Attributable to jointly- controlled entities HK\$'000	Attributable to associates HK\$'000	Total HK\$'000
By activity:							
Telecommunications	30,064	–	30,064	(10,355)	–	–	(10,355)
Property sales	209,897	86,822	123,075	44,299	256,976	–	301,275
Consumer products	14,439	–	14,439	17,967	–	1,400	19,367
Strategic investments, rental and finance	10,173	–	10,173	16,181	–	2,135	18,316
Provision for impairment in value of long term investments and associates	–	–	–	(136,139)	–	–	(136,139)
	<u>264,573</u>	<u>86,822</u>	<u>177,751</u>	<u>(68,047)</u>	<u>256,976</u>	<u>3,535</u>	<u>192,464</u>
By geographical area:							
The People's Republic of China:							
Hong Kong	98,898	86,822	12,076	(15,823)	256,976	2,753	243,906
Elsewhere	165,675	–	165,675	56,277	–	782	57,059
	<u>264,573</u>	<u>86,822</u>	<u>177,751</u>	<u>40,454</u>	<u>256,976</u>	<u>3,535</u>	<u>300,965</u>
Others	–	–	–	(108,501)	–	–	(108,501)
	<u>264,573</u>	<u>86,822</u>	<u>177,751</u>	<u>(68,047)</u>	<u>256,976</u>	<u>3,535</u>	<u>192,464</u>

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SEGMENTAL INFORMATION *(continued)*

For Year 1999

	Turnover			Contribution to profit before tax			Total
	Group and share of jointly- controlled entities HK\$'000	Attributable to jointly- controlled entities HK\$'000	Attributable to the Group HK\$'000	Attributable to the Group HK\$'000	Attributable to jointly- controlled entities HK\$'000	Attributable to associates HK\$'000	
By activity:							
Telecommunications	113,848	–	113,848	64,738	–	–	64,738
Property sales	1,737,879	1,574,064	163,815	(39,779)	783,675	(81)	743,815
Consumer products	12,499	–	12,499	(33,124)	–	1,675	(31,449)
Strategic investments, rental and finance	9,450	–	9,450	5,213	–	–	5,213
Provision for impairment in value of long term investments	–	–	–	(132,191)	–	–	(132,191)
	<u>1,873,676</u>	<u>1,574,064</u>	<u>299,612</u>	<u>(135,143)</u>	<u>783,675</u>	<u>1,594</u>	<u>650,126</u>
By geographical area:							
The People's Republic of China:							
Hong Kong	1,635,296	1,574,064	61,232	(98,016)	783,675	919	686,578
Elsewhere	<u>238,380</u>	<u>–</u>	<u>238,380</u>	<u>(37,118)</u>	<u>–</u>	<u>1,675</u>	<u>(35,443)</u>
	1,873,676	1,574,064	299,612	(135,134)	783,675	2,594	651,135
Others	<u>–</u>	<u>–</u>	<u>–</u>	<u>(9)</u>	<u>–</u>	<u>(1,000)</u>	<u>(1,009)</u>
	<u>1,873,676</u>	<u>1,574,064</u>	<u>299,612</u>	<u>(135,143)</u>	<u>783,675</u>	<u>1,594</u>	<u>650,126</u>

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 85.

No interim dividend was paid during the year and the directors do not recommend the payment of a final dividend for the year.

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SUMMARY FINANCIAL INFORMATION

A summary of the published results and 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 pages 3 and 4. 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 Company and of the Group during the year are set out in notes 12 and 13 to the financial statements, respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the balance sheet date are set out in notes 15 and 46 to the financial statements.

JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Company's and the Group's interests in its jointly-controlled entities and its principal associates are set out in notes 16, 17 and 47 to the financial statements.

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 notes 26 and 27 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in note 31 to the financial statements. Except for these share repurchases, neither the Company nor any of its subsidiaries purchased, redeemed or sold 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 notes 32 to 38 to the financial statements.

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INTEREST CAPITALISED

Interest of approximately HK\$167,448,000 (1999: HK\$134,682,000) was capitalised during the year in respect of the Group's properties under development.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$3,059,987,000 (1999: HK\$3,046,785,000). In addition, the Company's share premium account, in the amount of HK\$2,158,390,000 (1999: HK\$2,166,573,000), may also be distributed in the form of fully paid bonus shares in certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the turnover derived from the largest customer, being the sales of telecommunication products and network service income, accounted for 14% of the Group's turnover for the year. Turnover derived from the five largest customers accounted for 26% of the Group's turnover for the year. The aggregate purchases attributable to the Group's five largest suppliers accounted for 65% of the total purchases of the Group and purchases from the largest supplier included therein amounted to 47%.

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 and suppliers.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Wong Sai Chung	<i>(Chairman and Joint Managing Director)</i>
Dr. George Wang Sai Cheong	
Wong Sai Wa	<i>(Joint Managing Director)</i>
Kwan Kai Cheong	<i>(Joint Managing Director)</i>
Wong Siu Man	
Tam Wing Tak	

Independent non-executive directors:

Warren Talbot Beckwith	
Randy A. Harris	<i>(Resigned on 10 November 2000)</i>
Michael Dobbs-Higginson	<i>(Appointed on 10 November 2000)</i>

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DIRECTORS *(Continued)*

In accordance with article 73 of the Company's articles of association, Mr. Michael Dobbs-Higginson retires by rotation and, being eligible, offers himself for re-election.

In accordance with articles 77 to 79 of the Company's articles of association, Dr. George Wang Sai Cheong and Miss Wong Siu Man will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 11 to 14 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and those 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

No director proposed for re-election at the forthcoming annual general meeting 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

Save as disclosed in notes 28, 29 and 40 to the financial statements, no director had a material interest in any contract 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. The independent non-executive directors have also confirmed to the board that the transactions, as disclosed in note 28, 29 and 40 to the financial statements, were either conducted in accordance with the terms of the agreements relating to the transactions, or otherwise in the usual and ordinary course of business of each of the companies, and were fair and reasonable so far as the shareholders of the Company are concerned.

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DIRECTORS' INTERESTS IN SHARES

At 31 December 2000, 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 Interests) Ordinance ("SDI Ordinance"), were as follows:

(i) Interests in the Company

Name of director	Nature of interest	Number of shares	Share options granted
Wong Sai Chung	Corporate (<i>note a</i>)	1,851,734,762	—
Wong Sai Wa	Personal	220,672	6,146,000
Kwan Kai Cheong	Personal and family	4,413,482	6,026,000
Wong Siu Man	Corporate (<i>note b</i>)	2,628,778	1,146,000
Tam Wing Tak	Personal	220,672	1,056,000

(ii) Interests in Concord Land Development Company Limited

Name of director	Nature of interest	Number of shares	Share options granted
Wong Sai Chung	Corporate (<i>note c</i>)	945,000,000	—
Wong Sai Wa	Personal	210,000	2,000,000
Kwan Kai Cheong	Personal and family	252,000	2,000,000
Wong Siu Man	Corporate (<i>note d</i>)	210,000	500,000
Tam Wing Tak	Corporate (<i>note e</i>)	210,000	500,000

Notes:

- (a) Max Asialines Limited and Sanote Investments Limited, which hold 809,600,592 and 394,060,845 shares, respectively, in the Company, are wholly-owned subsidiaries of U.S. Concord (Holding) Limited which is controlled by Mr. Wong Sai Chung. Skyport Investments Limited, which holds 400,000,000 shares in the Company, is a wholly-owned subsidiary of Cebu Blue Limited. Cebu Blue Limited, which holds 57,017,311 shares in the Company, is a wholly-owned subsidiary of Concord Oil Group Limited which is, in turn, controlled by Mr. Wong Sai Chung. In addition, Beaujet Development Limited and Gain Time Holdings Limited, which hold 180,011,279 and 11,044,735 shares, respectively, in the Company, are both controlled by Mr. Wong Sai Chung.
- (b) Win System Holdings Limited, which holds 2,628,778 shares in the Company, is controlled by Miss Wong Siu Man.
- (c) Camstar Capital Limited, which holds 945,000,000 shares in Concord Land Development Company Limited ("Concord Land"), is a wholly-owned subsidiary of the Company, and Mr. Wong Sai Chung is deemed to be interested in 1,851,734,762 shares in the Company (as detailed in note (a) above).

DIRECTORS' INTERESTS IN SHARES *(Continued)*

- (d) Win System Holdings Limited, which holds 210,000 shares in Concord Land, is controlled by Miss Wong Siu Man.
- (e) Smark Eagle Holdings Ltd., which holds 210,000 shares in Concord Land, is controlled by Mr. Tam Wing Tak.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, at 31 December 2000, none of the directors or their associates had any personal, family, corporate or other interest in any securities of the Company, its holding companies or any of its associated corporations, as defined in the SDI Ordinance.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme approved by the shareholders at an extraordinary general meeting held on 28 February 1997, the Company or its associated corporations have granted options in favour of the following directors:

(i) Rights to acquire shares in the Company

Name of director	Exercise price per share	Exercise period	Number of options				At end of year
			At beginning of year	Granted during the year	Exercised during the year	Cancelled during the year	
Wong Sai Wa	HK\$ 3.32	16-06-1998 to 15-06-2001	96,000	–	–	–	96,000
	HK\$ 1.09	19-10-1999 to 18-10-2002	1,000,000	–	–	–	1,000,000
	HK\$ 0.74	05-06-2000 to 04-06-2003	50,000	–	–	–	50,000
	HK\$ 0.86	27-08-2001 to 26-08-2004	–	5,000,000	–	–	5,000,000
Kwan Kai Cheong	HK\$ 3.32	07-07-1998 to 06-07-2001	10,000	–	–	–	10,000
	HK\$ 1.09	19-10-1999 to 18-10-2002	1,000,000	–	–	–	1,000,000
	HK\$0.74	01-06-2000 to 31-05-2003	16,000	–	–	–	16,000
	HK\$ 0.86	24-08-2001 to 23-08-2004	–	5,000,000	–	–	5,000,000
Wong Siu Man	HK\$ 3.32	11-6-1998 to 10-06-2001	96,000	–	–	–	96,000
	HK\$0.74	07-06-2000 to 06-06-2003	50,000	–	–	–	50,000
	HK\$ 0.86	27-08-2001 to 26-08-2004	–	1,000,000	–	–	1,000,000
Tam Wing Tak	HK\$ 3.32	13-6-1998 to 12-06-2001	56,000	–	–	–	56,000
	HK\$ 0.86	27-08-2001 to 26-08-2004	–	1,000,000	–	–	1,000,000
			<u>2,374,000</u>	<u>12,000,000</u>	<u>–</u>	<u>–</u>	<u>14,374,000</u>

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DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

At the time of grant, each of the directors paid HK\$1 to the Company as consideration for the granting of the options to them.

The exercise prices of the share options have been adjusted to reflect the effect of bonus issues during the year.

(ii) Rights to acquire shares in Concord Land Development Company Limited

Name of director	Exercise price per share	Exercise period	Number of options				At end of year
			At beginning of year	Granted during the year	Exercised during the year	Cancelled during the year	
Wong Sai Wa	HK\$ 1.90	19-10-1999 to 18-10-2002	1,000,000	–	–	–	1,000,000
	HK\$1.47	05-06-2000 to 04-06-2003	1,000,000	–	–	–	1,000,000
Kwan Kai Cheong	HK\$ 1.90	19-10-1999 to 18-10-2002	1,000,000	–	–	–	1,000,000
	HK\$1.47	01-06-2000 to 31-05-2003	1,000,000	–	–	–	1,000,000
Wong Siu Man	HK\$1.47	07-06-2000 to 06-06-2003	500,000	–	–	–	500,000
Tam Wing Tak	HK\$1.47	07-06-2000 to 06-06-2003	500,000	–	–	–	500,000
			<u>5,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,000,000</u>

At the time of grant, each of the directors paid HK\$1 to Concord Land Development Company Limited as consideration for the granting of the options to them.

The exercise prices of the share options have been adjusted to reflect the effect of bonus issues during the year.

Apart from the foregoing, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors, 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.

Further details of the Company's share option scheme are set out in note 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, no person, other than Mr. Wong Sai Chung, whose interests are set out in the section “Director’s interests in shares” above, 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.

EMPLOYEES AND EMPLOYMENT POLICIES

The Group employs, promotes and remunerates its staff based on their performance, experience and potential, giving opportunities to existing staff whenever possible.

The Group’s policy is to ensure that it has adequately trained employees to cater for the growth of its business. In this regard, it has established a training centre in Zhuhai, the People’s Republic of China, for training selected employees.

Employee benefits provided by the Group include a share option scheme, a provident fund scheme and a medical scheme.

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 has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report. Independent non-executive directors 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 articles of association. 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.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 44 to the financial statements.

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

Wong Sai Chung

Chairman

Hong Kong, 13 June 2001