

# 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 principal subsidiaries and principal associates are set out in notes 12 and 15 to the financial statements, respectively.

There were no changes 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 from operating activities by principal activity and geographical area of operations is as follows:

|   | Turnover         |                  | Contribution to profit<br>from operating activities |                  |
|---|------------------|------------------|---|------------------|
|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 2000<br>HK\$'000                                    | 1999<br>HK\$'000 |
| By activity:                                  |                  |                  |   |                  |
| Sales of interests in investment properties   | 3,500            | —                | (1,225)   | —                |
| Sales of properties                           | —                | 8,081            | —   | 6,369            |
| Rental income from property letting           | 99,123           | 101,535          | 79,136  | 88,867           |
| Serviced apartment and property<br>management | 4,674            | 4,363            | 335   | 147              |
| Project management                            | —                | 10,400           | —   | 9,490            |
| Pub operations                                | 6,128            | 6,928            | (302)   | (425)            |
|   | <b>113,425</b>   | <b>131,307</b>   | <b>77,944</b>                                       | <b>104,448</b>   |
| By geographical area:                         |                  |                  |   |                  |
| People's Republic of China:                   |                  |                  |   |                  |
| Hong Kong                                     | 45,894           | 55,066           | 20,916  | 41,715           |
| Elsewhere                                     | 67,531           | 76,241           | 57,028  | 62,733           |
|   | <b>113,425</b>   | <b>131,307</b>   | <b>77,944</b>                                       | <b>104,448</b>   |

## 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 16 to 51.

An interim dividend of HK0.25 cents per share and a bonus issue of one share for every five existing shares was distributed to the Company's shareholders on 20 November 2000. The directors recommend the payment of a final dividend of HK0.30 cents per share in respect of the year, to shareholders whose names appeared on the register of members on 21 June 2001. This recommendation has been incorporated in the financial statements.

**BONUS ISSUE OF SHARES**

The directors recommend a bonus issue of shares of the Company (the "Bonus Shares") of HK\$0.10 each, credited as fully paid by way of capitalisation of the Company's contributed surplus account, on the basis of one Bonus Share for every five existing shares held by the shareholders whose names appeared on the register of members of the Company on 21 June 2001. The Bonus Shares to be issued will rank pari passu with the existing shares except that they will not rank for the proposed final dividend in respect of the year ended 31 December 2000.

**SUMMARY OF FINANCIAL INFORMATION**

The following is a summary of the published consolidated results of the Group for the three years ended 31 December 2000, the combined results of the Group for the two years ended 31 December 1997 and the consolidated assets and liabilities of the Group for the last three financial years. The information has been extracted from the audited financial statements of the companies now comprising the Group, after appropriate adjustments and reclassifications, as if the current structure of the Group had been in existence throughout these financial years and has been prepared using the merger basis of accounting as a result of the Group reorganisation for its public listing on the Stock Exchange of Hong Kong in 1998. The Company was incorporated on 14 February 1997, therefore, the first published audited consolidated balance sheet of the Group was as at 31 December 1998. The summary of the combined results of the Group for the two years ended 31 December 1997 has been extracted from the Company's prospectus dated 17 July 1998.

|   | <b>Year ended 31 December</b>  |                         |                         |                         |                         |
|---|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | <b>2000</b><br><i>HK\$'000</i> | 1999<br><i>HK\$'000</i> | 1998<br><i>HK\$'000</i> | 1997<br><i>HK\$'000</i> | 1996<br><i>HK\$'000</i> |
| Turnover  | <b>113,425</b>                 | 131,307                 | 239,200                 | 355,716                 | 131,370                 |
| Operating profit                                  | <b>11,796</b>                  | 45,959                  | 110,673                 | 172,687                 | 69,533                  |
| Share of profits/(losses)<br>of associates        | <b>(22,226)</b>                | (1,612)                 | (66)                    | (6)                     | 6,112                   |
| Profit/(loss) before taxation                     | <b>(10,430)</b>                | 44,347                  | 110,607                 | 172,681                 | 75,645                  |
| Taxation  | <b>(7,771)</b>                 | (12,775)                | (9,976)                 | (15,550)                | (15,518)                |
| Profit/(loss) before minority<br>interests        | <b>(18,201)</b>                | 31,572                  | 100,631                 | 157,131                 | 60,127                  |
| Minority interests                                | <b>(10,619)</b>                | (11,540)                | (16,438)                | (74,105)                | (5,382)                 |
| Net profit/(loss) attributable<br>to shareholders | <b>(28,820)</b>                | 20,032                  | 84,193                  | 83,026                  | 54,745                  |

## REPORT OF THE DIRECTORS

### ASSETS AND LIABILITIES

|                    | <b>2000</b>           | 1999           | 1998           |
|--------------------|-----------------------|----------------|----------------|
|                    | <b>HK\$'000</b>       | HK\$'000       | HK\$'000       |
| Total assets       | <b>2,033,600</b>      | 2,161,402      | 2,154,006      |
| Total liabilities  | <b>(982,470)</b>      | (982,251)      | (902,354)      |
| Minority interests | <b>(336,299)</b>      | (358,726)      | (363,312)      |
| Net assets         | <b><u>714,831</u></b> | <u>820,425</u> | <u>888,340</u> |

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 13 and 14 to the financial statements, respectively.

### PROPERTIES HELD FOR SALE

Details of the Group's properties held for sale are set out in note 16 to the financial statements.

### SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and its principal associates are set out in notes 12 and 15 to the financial statements, respectively.

### BORROWINGS

Details of the Group's borrowings as at 31 December 2000 are set out in note 19 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, together with reasons therefor, are set out in note 23 to the financial statements.

### 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.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$16,000 (1999: Nil).

### **DISTRIBUTABLE RESERVES**

At the balance sheet date, the Company's reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$656,465,000. During the year, the Company's share premium account in the amount of HK\$72,606,000 were distributed in the form of fully paid bonus shares.

### **MAJOR CUSTOMERS AND SUPPLIERS**

19% of the Group's sales were attributable to the Group's five largest customers. Sales to the largest customer amounted to 6% of the Group's turnover for the year.

6% of the Group's purchases were attributable to the Group's five largest suppliers. Purchases from the largest supplier amounted to 2% of the Group's purchases for the year.

As far as the directors are aware, neither the directors, their associates, nor those shareholders, which to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in the Group's five largest customers and suppliers.

### **DIRECTORS**

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

#### **Executive directors:**

Mr. Lau Chi Yung, Kenneth  
Mr. Luu Duc Chi, Kevin  
Mr. Tsang Pak Chung, Eddy  
Mr. Lau Chi Kei, Michael  
Mr. Cho Po Hong, Jimmy

#### **Non-executive directors:**

Mr. Tong Wui Tung, Ronald

#### **Independent non-executive directors:**

Mr. Lee Siu Man, Ervin  
Mr. Choy Tak Ho *(appointed on 16 May 2000)*  
Mr. Hau Kwan Ngan, Charles *(resigned on 16 May 2000)*

In accordance with the Company's bye-laws, Mr. Luu Duc Chi, Kevin and Mr. Cho Po Hong, Jimmy will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### **DIRECTORS' SERVICE CONTRACTS**

Each of the executive directors has entered into a service contract with the Company for a period of three years from 1 June 1998 which will continue thereafter unless and until terminated by either party with three months' prior notice in writing.

Apart from the foregoing, 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.

## REPORT OF THE DIRECTORS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2000, the interests of the directors and chief executives and their associates in the securities 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:

#### Interests in the Company's shares

| Name of director          | Nature of interest | Number of shares     |
|---------------------------|--------------------|----------------------|
| Mr. Lau Chi Yung, Kenneth | Corporate          | <u>1,629,000,000</u> |

The above shares are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his sisters and their respective families.

Mr. Lau Chi Yung, Kenneth indirectly controlled more than one-third of the issued share capital of the Company and accordingly he was deemed to have interests in the share capital or registered capital of the subsidiaries and associates of the Company.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors, chief executives or their associates had any interest in the share capital of the Company and its associated corporations recorded in the register required to be kept under Section 29 of the SDI Ordinance.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year, certain warrant holders in which the director, Mr. Lau Chi Yung, Kenneth, has beneficial interests, sold and exercised part of their warrant holdings, the summary details of which are as follows:

| Name of director          | Number of warrants at 31 December 1999 | Number of warrants sold during the year | Number of warrants exercised during the year | Number of warrants lapsed during the year | Number of warrants outstanding at 31 December 2000 |
|---------------------------|--|---|--|---|--|
| Mr. Lau Chi Yung, Kenneth | <u>60,000,000</u>                      | <u>(7,500,000)</u>                      | <u>(9,000,000)</u>                           | <u>(43,500,000)</u>                       | <u>—</u>   |

The 9,000,000 warrants were exercised on or before 30 June 2000 and the remaining unexercised warrants lapsed on their expiry date of 30 June 2000.

Save 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 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.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the financial statements, no director had a significant beneficial interest in any contract of significance to the business of the Company and its subsidiaries to which the Company or any of its subsidiaries was a party during the year.

### SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, the following shareholders had notified the Company of a direct or indirect interest in 10% or more of the issued share capital of the Company:

|   | <b>Number of<br/>shares held</b> |
|---|----------------------------------|
| Power Resources Holdings Limited <sup>#</sup> | 1,629,000,000                    |
| Lucky Speculator Limited                      | <u>1,386,000,000</u>             |

<sup>#</sup> *Power Resources Holdings Limited was deemed to have a beneficial interest in 1,629,000,000 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and certain other wholly-owned subsidiary which held shares in the Company.*

Apart from the foregoing, no person, other than Mr. Lau Chi Yung, Kenneth, who is a director of the Company and whose interests are set out 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.

### 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.

### RETIREMENT BENEFITS SCHEME

Details of the pension scheme of the Group are set out in note 2 to the financial statements.

### 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 Listing Rules of the Stock Exchange of Hong Kong, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company were not appointed for specific terms. 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 bye-laws.

## REPORT OF THE DIRECTORS

### 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

**Lau Chi Yung, Kenneth**

*Chairman*

Hong Kong

20 April 2001