

### I am pleased to present the financial results for the year ended 31 December 2000.

Turnover of the Group for Year 2000 was HK\$3,557 million (1999: HK\$2,873 million), an increase of 24%. Consolidated profit before tax and minority interests was HK\$271 million (1999: HK\$203 million), an improvement of 33% over the previous year.

Earnings per share for Year 2000 was HK 15.6 cents (1999: HK15.2 cents).

Business conditions generally improved in China in Year 2000 allowing the different divisions operating there to further improve their performance and financial results. Despite discouraging trends in the Taiwan and Korean economies during the year, the Group's Automobile Division serving these markets made further significant progress. The Financial Services Division in Hong Kong functioned in a difficult regional equity environment in the second half of the year, and posted reduced results for the full year.

Overall, the Group improved consolidated revenues, profit after tax and earnings per share in Year 2000.

## Managing Director's Statement



Twin headlamps design of the new C-class combines power, elegance, character and refinement in a harmonious form.

### AUTOMOBILE

#### China

With the support of principals, the Mercedes Benz marque was very successfully promoted at the Year 2000 Beijing International Motor Show at which the new C-class was launched into the China market. A more liberal government policy on motor vehicle import licenses enabled a significant increase in luxury car imports into China during Year 2000. As a result the Division enjoyed excellent growth in sales of passenger cars and commercial vehicles, particularly the Mercedes Benz S-class. The after market parts and service sales increased substantially in line with the growing vehicle population.

With the approval of the Free Trade Zone Authorities new parts distribution centers were established at these locations, further improving the speed and reliability of this vital area of customer satisfaction.

## Managing Director's Statement

More attention was focused in Year 2000 on management development programs, technical skills training and customer care services as the Group moved to consolidate its leading position in the luxury car market in China.

### Korea

Year 2000 was another busy year of great progress for Han Sung and Mercedes Benz in Korea. The Division benefited from the liberalization of the imported car market and a favorable foreign exchange rate for most of the year. As a result sales of Mercedes Benz passenger cars in Y2000 almost doubled in volume over 1999.

The Division offered a comprehensive range of products, successfully introducing to Korea various new and facelift models including the new C-class which were well received by the motoring public.

Han Sung continued to consolidate its position in the Korean market with the strengthening of its presence outside of Seoul. An additional dealer outlet was appointed in Kwangju and a new joint venture dealer operation was opened in Pusan. Both locations offer Mercedes Benz customers world class customer care and aftersales services.



*Grand opening of new showroom in Han Sung Motor Co. Ltd., Korea in December, 2000.*

## **Managing Director's Statement**

The headquarters showroom in Seoul was extensively refurbished during the year and is regarded as one of the most modern and customer friendly luxury car showrooms in the region.

### **Taiwan**

Whilst there were some unsettling influences on the Taiwan economy in Year 2000 causing the overall domestic car market to decline, the luxury car market increased by 14% compared to 1999.

The Group continued to concentrate on upgrading the existing comprehensive distribution chain with improvements to logistics, management information systems and sales incentive schemes. The Division's sales of Mercedes Benz passenger cars increased by 15% over 1999 and maintained its leading position in the luxury car segment in Taiwan.

### **MACHINERY**

As anticipated, the high level of infrastructure investment in Eastern China in Year 2000 continued to generate strong demand for construction equipment. The Group's Caterpillar Dealership once again substantially increased machine deliveries and market share.

The Dealership's Power Systems Division enjoyed a record year in unit sales of engines and revenues with strong demand from the petroleum industry. Sales of standby electric power generator sets also improved. The specialist Power Systems Management Group was further strengthened during the year and now represents a solid earnings source for the Dealership in Year 2001.

Product support sales of parts and technical services also reflected the growth in machine and engine populations in the dealer territory.

## Managing Director's Statement



Land based drilling rig powered by Caterpillar model 3512 generating set.

The Division continues to invest in maintaining a growing aftersales coverage and product support capability. Efforts, supported by the principal, to improve management and selling skills and technical training were further enhanced during the year. The training capability at the Dealership's main branch in Kunshan was fully utilized with ready access to the adjacent Caterpillar China Training Center, also at Kunshan.

Investment in workshop, field service facilities and parts inventories at the Dealership's seven branches continued to grow. Customers' perception of the quality / value relationship of premium priced Caterpillar machines and engines was further consolidated during the year.

An overall reduction in operating expenses and the level of net assets employed also contributed to the improved financial results of the Machinery Division in Y2000.

### **TRADING**

The Division remained focused throughout Year 2000 on trading three main product groups - timber products, fertilizers and watch movements. Moderate growth was achieved, with turnover increasing by 10% over that of 1999.

## Managing Director's Statement



Papua New Guinea round logs ready for shipment to China.

The trade in timber products into mainland China was favorably affected by the mainland Government applying a more liberal import system. The government's fiscal policy to expand the domestic economy also encouraged local consumption and retail demand for wood products. Watch movement sales also benefited from a higher level of demand during the year.

The Division was successful in expanding its regional fertilizer markets and increased sales to Southeast Asia. Overall sales moved marginally higher in Year 2000.

### **FINANCIAL SERVICES**

The Year 2000 was not a favorable year for financial markets in particular the significant deterioration in the climate for regional equities in the second half of the year.

The sharp corrections in the global telecom and high tech sectors and lower profit forecasts from leading U.S. blue chip counters throughout the year were the main factors affecting stock prices in Year 2000. Despite the U.S. Federal Reserve interest rate reductions early in Y2001 markets have not responded.

## Managing Director's Statement

The U.S. Dollar remained relatively strong against the Yen and the Euro in Year 2000 with a favorable dealing environment for forex trading.

The Division's trading volume increased slightly with positive results from security broking and forex trading. However, the fall in equity values, particularly in the second half of the year, affected the portfolio's performance. As such the Division's overall results were lower than the previous year.

### PROPERTY

Management of the Group's own investment properties and development projects provided the main source of income of the Property Division in Year 2000. The remaining residential units in the Nanjing Lei Shing Apartment project were sold during the year. The Division concentrated on progressing existing projects and further strengthening management and the organization structure. The favourable performance of the mainland economy and the widening of consumer purchasing power positively influenced residential property market sentiment in Year 2000.



*Wang Jing New City project at Chaoyang District of Beijing consists of 400,000 sq.m. residential and commercial properties.*

## **Managing Director's Statement**

### **PROSPECTS**

The successful economic policies followed by the People's Republic of China in Year 2000 suggest there is strong momentum for further growth in Year 2001. Accession to the World Trade Organization will be a positive influence on the Group's businesses in China. The Group's China based Automobile and Machinery Divisions have started the new year well and are positioned for further growth in Y2001. The Automobile Division's Korean and Taiwan units are expected to perform satisfactorily in the new year.

The Trading and Financial Services Divisions are taking a cautious stance as they look ahead to another challenging year.

The improvements now evident in some segments of the residential market in China offer the Property Division a better environment for development of the property portfolio the Group presently holds in Beijing, Shanghai and Xiamen.

Overall, the Directors consider the Group made solid progress in strengthening and consolidating core businesses in Year 2000. The Group looks forward to the new year with confidence of achieving further progress in Year 2001.

### **APPRECIATION**

I wish to express my appreciation to the management and staff of the Group for their continued commitment, hard work and loyalty which have made possible the satisfactory results achieved in Y2000 as contained in this Report.

**PARK David**  
Managing Director

Hong Kong  
19 April 2001