

## Report of the Directors

The directors 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. Details of the principal activities of its principal subsidiaries are set out in note 36 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### SEGMENTED INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity is as follows:

	Turnover		Contribution to profit from operating activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trading of motor vehicles and spare parts	<b>1,588,573</b>	1,201,941	<b>100,855</b>	81,740
Property development and investment	<b>8,462</b>	9,787	<b>(6,615)</b>	(4,448)
Financial services	<b>230,644</b>	99,575	<b>46,506</b>	96,849
General trading and services	<b>1,729,436</b>	1,561,544	<b>70,574</b>	30,476
	<b>3,557,115</b>	2,872,847	<b>211,320</b>	204,617

An analysis of the Group's turnover by geographical area of operations is as follows:

	2000 HK\$'000	1999 HK\$'000
People's Republic of China:		
Hong Kong	<b>1,182,636</b>	1,152,628
Mainland China	<b>1,416,958</b>	1,006,749
Other Asian Countries	<b>957,521</b>	713,470
	<b>3,557,115</b>	2,872,847

## **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 26 to 72.

No interim dividend was paid during the year. The directors recommend the payment of a final dividend of HK 3 cents (1999: HK 3 cents) per ordinary share in respect of the year to shareholders on the register of members on 28 May 2001. This recommendation has been incorporated in the financial statements.

## **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 73 and 74. 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 the Group are set out in notes 12 and 14 to the financial statements, respectively.

## **SUBSIDIARIES**

Particulars of the Company's principal subsidiaries are set out in notes 15 and 36 to the financial statements.

## **ASSOCIATES**

Particulars of the Group's interests in its principal associates are set out in notes 16 and 37 to the financial statements.

## **BANK OVERDRAFTS AND OTHER BORROWINGS**

Details of bank overdrafts and other borrowings of the Company and the Group at 31 December 2000 are set out in notes 26 and 27 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of the Company's share capital and movements in its share options are set out in note 29 to the financial statements.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

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### DIRECTORS

The directors of the Company during the year were:

*Executive directors*

PARK David (appointed on 1 August 2000)

GAN Khian Seng

YONG Foo San, JP

HARMS Volker Josef Eckehard

LAU Chor Lok

LAU Kwok Kee

*Independent non-executive directors*

FUNG Ka Pun

TAN Ghee Kiat

In accordance with articles 99 and 116 of the Company's articles of association, Mr. David Park, Mr. Gan Khian Seng, Mr. Volker Josef Eckehard Harms and Mr. Lau Chor Lok will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the directors' emoluments and those of the five highest paid employees 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 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 (the "SDI Ordinance") were as follows:

Name	Number of ordinary shares of HK\$1 each			Total
	Personal interests	Family interests	Corporate interests (Note)	
Lau Chor Lok	30,262	1,812	37,832,865	37,864,939

Note: The interests in 37,832,865 ordinary shares are held through Pacific City Investments Limited and Beauty Year Limited, of which Mr. Lau Chor Lok is a controlling shareholder.

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Apart from the above, and other than certain nominee interests in the subsidiaries held in trust for the Company, no director held any interest, beneficial or non-beneficial, in the share capital of the Company or its associated corporations.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Options to subscribe for ordinary shares of the Company were granted to the following directors of the Company and remained outstanding as at 31 December 2000.

Name of director	Notes	Number of options	Exercise price	Commencement of exercise dates
PARK David	(a)	500,000	5.89	11 August 1999
	(b)	200,000	6.00	3 February 2000
GAN Khian Seng	(a)	500,000	5.89	1 September 1999
	(b)	200,000	6.00	31 January 2000
YONG Foo San, JP	(a)	500,000	5.89	21 August 1999
	(b)	200,000	6.00	27 January 2000
HARMS Volker Josef Eckehard	(a)	500,000	5.89	2 August 1999
	(b)	200,000	6.00	24 January 2000
LAU Chor Lok	(a)	500,000	5.89	29 August 1999
	(b)	200,000	6.00	23 February 2000
LAU Kwok Kee	(a)	500,000	5.89	19 August 1999
	(b)	200,000	6.00	27 January 2000

*Notes:*

(a) *The share options were granted on 2 August 1997.*

(b) *The share options were granted on 24 January 1998.*

The exercise price is fixed in accordance with the provisions of the share option scheme, as further detailed in note 29 to the financial statements.

Apart from the foregoing, 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.

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### DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

### CONNECTED TRANSACTIONS

During the year, the Group had related party transactions, as further detailed in note 35 to the financial statements, which also constituted connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business and the Company has complied with the relevant requirements under Chapter 14 of the Listing Rules.

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following shareholders were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares held	Percentage of issued share capital
Victon Investment Limited	235,282,761	25%
Amerdale Investments Limited	170,062,075	18%

Save as disclosed above, no person, other than a director of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

### DISTRIBUTABLE RESERVES

As 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\$270,076,000. In addition, the Company's share premium account, in the amount of HK\$2,459,512,000, may be distributed in the form of fully paid bonus shares.

### **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.

### **MAJOR SUPPLIERS AND CUSTOMERS**

In the year under review, the Group's major supplier was DaimlerChrysler AG, which accounted for 31% of the Group's purchases. The Group's five largest suppliers, including DaimlerChrysler AG, accounted for 74% of the Group's combined purchases.

In the year under review, the Group's sales to its five largest customers accounted for 34% of the Group's combined sales. The Group's major customer accounted for 15% of the Group's combined sales.

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.

### **RETIREMENT BENEFITS SCHEMES**

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance, for its employees. The assets of the schemes are held and managed by independent professional fund managers.

### **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

**PARK David**  
*Chairman*

Hong Kong  
19 April 2001