

## Letter to Shareholders

*"I write down all my good scores and scratch out all my bad ones."*  
— Charles Shultz on being a "scratch" golfer

To the Shareholders of Lee Hing Development Limited:

At the end of 2000, the book value of Lee Hing shares was HK\$3.98, which was down 20.87 percent from the figure for 1999.

During the stewardship of the current management these past 14 years, the book value of each Lee Hing share increased from HK\$3.01 to HK\$9.67, after adjusting for the rights and bonus issues in 1987 and including all dividends paid. The good news is that the average annual growth rate has been 8.69 percent compounded. The bad news is that this rate is substantially below the 13.5 percent achieved by the Hang Seng Index. As of this writing, shareholders would have done better to invest in a basket of component stocks. When investor interest shifts back to Malaysian shares and under-valued property shares in Hong Kong, we will do better.

Concerning the year 2000, I have an itch to follow Charles Shultz's advice on being a "scratch" golfer: "I write down all my good scores and scratch out all my bad ones." The loss last year is mainly because of a HK\$229.8 million write-down on the following listed investments:

	HK\$ Million
Century City International (Holdings) Ltd.	87.7
Lai Sun Garment (International) Ltd.	63.7
Tan and Tan Developments Bhd.	66.6
Wo Kee Hong (Holdings) Ltd.	11.8
Total	<u>229.8</u>

We have also written off HK\$12 million in our unlisted investments holding properties in Mainland China. The write-down is, of course, a provision rather than a realised loss. Accounting policies set out in the Hong Kong Society of Accountants' SSAP 24 provide that long-term shareholdings of three years or more with cost greater than market value at the year end are marked down to market prices from the third year onwards. This difference between the original cost and market value is charged to the profit and loss account.

### Amanresorts

Marjorie Kinnan Rawlings once said, "A woman has got to love a bad man once or twice in her life to be thankful for a good one." I have been responsible for so many bad deals that I know when to be thankful for a good one that comes along.

Just as Eleanor Clark appreciates the noble oyster, so I say that if you don't love life, you can't enjoy an Amanresort. Approximately 70,000 Aman junkies will attest that it is all too easy to fall in love with heaven on earth.

Heaven, it has been said, knows how to put a proper price upon its goods. But from our point of view, it is better to view this stake in Amanresorts as a short-term deal because it takes the considerable creativity and talent of an Adrian Zecha to make and maintain the marvelous magic that is Amanresorts. Although I like to think of myself as an artist (especially the "hardship" of making the site visits), shareholders and guests will do better if the job is handed over to true professionals.

## Letter to Shareholders (Cont'd)

### Sources of Reported Losses

The following table shows the main sources of our operating profits (losses):-

	2000	1999
	(HK\$ Million)	
Operating profit (loss):		
Net rental income	3.0	2.8
Dividend income	13.8	12.9
Interest income	12.6	5.4
Others	0.2	1.6
	<u>29.6</u>	<u>22.7</u>
Corporate expenses – provision for unsold properties	–	( 12.7)
– finance costs	( 12.8)	( 0.9)
– others	( 13.0)	( 13.5)
	<u>3.8</u>	<u>( 4.4)</u>
Operating earning (loss)	3.8	( 4.4)
Sales of shares	140.2	53.7
Net provision for impairment in value of long-term investments and share option written off	( 239.9)	( 131.7)
Unrealised (loss) gain of investments held for trading purpose	( 1.4)	2.8
	<u>( 97.3)</u>	<u>( 79.6)</u>

### Listed Shares

Below we present our holdings in listed shares with a market value of more than HK\$30 million at 31 December 2000:-

	Original Investment Cost (HK\$ Million)	Market Value and Book Cost (HK\$ Million)
Malaysia		
Tan & Tan Developments Bhd.	291.0	73.3
Resorts World Bhd.	216.9	326.7
	<u>507.9</u>	<u>400.0</u>

In 2000, we disposed of our entire stake in South China Holdings Limited as part of our on-going restructuring process.

We do not appear to own any listed shares in Hong Kong only because the year-end values of our Hong Kong listed holdings have all dropped below HK\$30 million. Smaller property share prices have plummeted in Hong Kong.

## **Letter to Shareholders** (Cont'd)

### **Going Forward**

In coming years, we will devote our energy and resources to restructuring and expanding our share portfolio so that it conforms as nearly as possible to the investment criteria convincingly espoused by Warren Buffett:

- (1) Demonstrated consistent earning power, even in uncertain times.
- (2) Capacity to earn good returns on equity with little or no debt.
- (3) Essentially simple – therefore, neither vulnerable to constant technological changes nor requiring ever-increasing capital infusions for staying competitive.

We are aiming for a growth rate of 15 percent per annum in the value of our share investment portfolio. If we are unable to find suitable companies in which to invest, we will buy back our own shares. The shares of investment holding companies often trade at a discount, giving share buy-backs three advantages:

- (1) They narrow the discount between the share's market price and its underlying intrinsic value.
- (2) They provide liquidity for the shares.
- (3) They reduce the ancient temptation of investing for its own sake (especially in boom times when good opportunities are difficult to find).

I anticipate that our future profit stream from our Malaysian investments, though potentially a torrent, will be “lumpy” because we will not be selling these shares until they reach “irrationally high” levels. However, shareholders will benefit from growth in the excellent underlying businesses. While waiting for these eggs to hatch, we will try to be more active in share buy-backs, cash flow permitting. We will also continue to reposition our existing investments to maximize shareholders' long-term gains.

### **Conclusion**

This informal reporting approach is an attempt to provide a deeper analysis and better understanding of our business. Indeed, I have tried to give you the information that I myself would like to receive as a shareholder. With a more focused approach and reasoned fidelity to the tested wisdom of the likes of Warren Buffett, I am convinced that we will achieve substantial long-term gains for our shareholders.

On behalf of the Board, I thank the management and all staff members for their efforts and contributions during the difficult past year.

Tan Boon Seng  
Chairman

Hong Kong, 10 April 2001