



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 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company has not changed during the year and consisted of investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 66.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the Company's published audited financial statements and reclassified as appropriate, is set out below.



SUMMARY FINANCIAL INFORMATION (continued)

The new and revised Statements of Standard Accounting Practice, as detailed in note 2 to the financial statements, have no significant impact on the amounts previously recorded in the financial statements.

Results

	Year ended 31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TURNOVER	77,869	143,765	40,333	119,346	385,145
LOSS BEFORE TAX	(46,500)	(154,424)	(31,612)	(245,790)	(111,042)
Tax	1,188	4,621	(667)	943	(4,380)
LOSS BEFORE MINORITY INTERESTS	(45,312)	(149,803)	(32,279)	(244,847)	(115,422)
Minority interests	(754)	(1,804)	836	2,927	14,396
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	(46,066)	(151,607)	(31,443)	(241,920)	(101,026)

Assets and Liabilities

	As at 31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TOTAL ASSETS	1,751,340	1,997,391	2,165,597	2,067,751	2,766,020
TOTAL LIABILITIES	(520,789)	(522,564)	(590,199)	(628,160)	(688,145)
MINORITY INTERESTS	(2,186)	3,023	5,145	4,347	(110,966)
NET ASSETS	1,228,365	1,477,850	1,580,543	1,443,938	1,966,909



FIXED ASSETS AND PROPERTY HELD FOR FUTURE DEVELOPMENT

Details of movements in the fixed assets and property held for future development of the Group are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of Company's share capital and share options are set out in note 27 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 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2001, the Company's reserves available for distribution calculated in accordance with the provisions of Companies Act 1981 of Bermuda (as amended) amounted to HK\$1,108,904,781. In addition, the Company's share premium account, in the amount of HK\$85,134,034, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$102,500 (2000: HK\$2,551,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% (2000: 75%) of the total sales for the year.

Purchases from the Group's five largest suppliers accounted for less than 30% (2000: 43%) of the total purchases for the year.



DIRECTORS

The directors of the Company during the year were:

Executive directors:

Cheong Pin Chuan, Patrick

Cheong Kim Pong

Cheong Pin Seng

Cheong Sim Eng

Independent non-executive directors:

Kan Fook Yee

Lai Hing Chiu, Dominic

Non-executive director:

Lim Ghee

In accordance with bye-law 87 of the Company's bye-laws, Cheong Sim Eng and Kan Fook Yee will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 of compensation, other than statutory compensation.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company operates a share option scheme (the "Scheme"), further details of which are set out in note 27 to the financial statements.

Pursuant to the Scheme, the Company has granted share options at the consideration of HK\$1 per grant to the following directors for them to subscribe for shares in the Company, the details of which are as follows:

Name of director	Number of share options outstanding at 1 January 2001 and 31 December 2001
Cheong Pin Chuan, Patrick	15,000,000
Cheong Kim Pong	15,000,000
Cheong Pin Seng	15,000,000
Cheong Sim Eng	15,000,000
	<hr/> <u>60,000,000</u>

All the share options were granted on 3 January 2000 and are exercisable at a subscription price of HK\$0.268 per share (subject to adjustment where appropriate) during the period from 3 January 2000 to 10 July 2004.

No share options were granted or exercised during the year.

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.



DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2001, the interests of the directors in the share capital of the Company or 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:

(i) Interests in the Company

Name of director	Number of shares held and nature of interest	
	Corporate	
Cheong Pin Chuan, Patrick	281,453,392	
Cheong Kim Pong	281,453,392	
Cheong Pin Seng	281,453,392	
Cheong Sim Eng	281,453,392	
Lim Ghee	281,453,392	

Note: These directors were deemed to have corporate interests in the shares of the Company by virtue of their beneficial interests in the shares of Hong Fok Corporation Limited, a substantial shareholder of the Company.

The interests of the directors in the share options of the Company are separately disclosed in the section headed "Directors' rights to acquire shares" above.

(ii) Interests in an associated corporation – Hong Fok Corporation Limited ("HFC")

Name of director	Number of share held and nature of interest			
	Corporate	Personal	Family	Other
	<i>Note (a)</i>			<i>Note (b)</i>
Cheong Pin Chuan, Patrick	88,054,912	5,163,140	1,125,300	121,336,000
Cheong Kim Pong	88,054,912	2,571,980	503,000	121,336,000
Cheong Pin Seng	88,048,312	2,752,376	101,200	121,336,000
Cheong Sim Eng	21,877,512	54,821,000	207,000	121,336,000
Lim Ghee	–	6,619,092	–	121,336,000

Notes:

(a) These shares are beneficially held by a number of companies in which the directors had beneficial interests.

(b) These shares were beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of the Company. The directors were deemed to have interests in the shares in HFC by virtue of their direct and indirect interests in the Company.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.



DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33 to the financial statements, no director had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Notes	Number of shares held		%
		Direct	Indirect	
HFL International Consortium Limited ("HFL")		277,601,392	–	40.6
Hong Fok Enterprises Limited ("HFE")	(i)	–	277,601,392	40.6
Hong Fok Investment Holding Company, Limited ("HFIH")	(ii)	3,852,000	277,601,392	41.1
Hong Fok Corporation Limited ("HFC")	(iii)	–	281,453,392	41.1
Barragan Trading Corp.		142,656,283	–	20.8

Notes:

- (i) HFE was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFL, did in the issued share capital of the Company by virtue of HFE's interest in HFL.
- (ii) HFIH was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFE, did in the issued share capital of the Company by virtue of HFIH's interest in HFE. In addition, HFIH was directly interested in approximately 0.5% of the issued share capital of the Company.
- (iii) HFC was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFIH, did in the issued share capital of the Company by virtue of HFC's interests in HFIH.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests in share capital" 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, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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



POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 34 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 Limited throughout the accounting year covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

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

Patrick Cheong

Chairman

Hong Kong

27 March 2002