

## 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 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 14 to the financial statements. There were no changes in the nature of the Group's principal activities (summarised in note 1 to the financial statements) during the year.

### Segmental information

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

	2000		1999	
	Turnover	Contribution to loss from operating activities	Turnover	Contribution to profit from operating activities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Property investment and management	140,330	(76,605)	36,091	32,507
Horticultural services	3,435	2,981	3,462	2,988
Property construction and development	-	-	780	530
	<u>143,765</u>	<u>(73,624)</u>	<u>40,333</u>	<u>36,025</u>
Other expenses, net		<u>(35,351)</u>		<u>(25,828)</u>
		<u>(108,975)</u>		<u>10,197</u>

The operations outside Hong Kong contributed less than 10% of turnover and less than 10% of consolidated operating profit/(loss).

# Report of the Directors

## 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 22 to 62.

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 audited financial statements and reclassified as appropriate, is set out below.

## RESULTS

	Year ended 31 December				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	<b>143,765</b>	40,333	119,346	385,145	484,337
PROFIT/(LOSS) BEFORE TAX	<b>(154,424)</b>	(31,612)	(245,790)	(111,042)	3,823
Tax	<b>4,621</b>	(667)	943	(4,380)	(2,015)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<b>(149,803)</b>	(32,279)	(244,847)	(115,422)	1,808
Minority interests	<b>(1,804)</b>	836	2,927	14,396	235
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<b>(151,607)</b>	(31,443)	(241,920)	(101,026)	2,043

# Report of the Directors

## Summary financial information (continued)

### ASSETS AND LIABILITIES

		As at 31 December			
	<b>2000</b>	1999	1998	1997	1996
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	<b>1,997,391</b>	2,165,597	2,067,751	2,766,020	2,843,987
TOTAL LIABILITIES	<b>(522,564)</b>	(590,199)	(628,160)	(688,145)	(508,919)
MINORITY INTERESTS	<b>3,023</b>	5,145	4,347	(110,966)	(114,652)
NET ASSETS	<b>1,477,850</b>	1,580,543	1,443,938	1,966,909	2,220,416

### Fixed assets, properties under development and property held for future development

Details of movements in the fixed assets, properties under development and property held for future development of the Group are set out in notes 11, 12 and 13 to the financial statements, respectively.

### Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

### Bank borrowings

Details of bank loans and overdrafts of the Company and the Group are set out in note 25 to the financial statements.

### Interest capitalised

Interest of approximately HK\$2,946,677 (1999: Nil) was capitalised during the year in respect of the Group's properties under development.

### Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 26 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 prorata 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 27 to the financial statements.

## **Distributable reserves**

At 31 December 2000, the Company's reserves available for cash distribution and/or distribution in specie calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted to HK\$1,358,373,224. In addition, the Company's share premium amounting to 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\$2,551,000.

## **Major customers and suppliers**

In the year under review, sales to the Group's five largest customers accounted for approximately 75% of the total sales for the year and sales to the largest customer included therein amounted to approximately 73%.

Purchases from the Group's five largest suppliers accounted for approximately 43% (1999: 97%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 15% (1999: 90%). Purchases during the year not yet charged to the consolidated profit and loss account, including the cost of land, construction work for properties under development and property held for future development, have been included in arriving at the relevant percentages.

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.

## **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 Kim Pong and Cheong Pin Seng 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 other than statutory compensation.

## Directors' rights to acquire shares

The Company has a share option scheme under which the directors may, on or before 10 July 2004, invite any employee or executive director of the Group to take up options to subscribe for shares in the Company.

Pursuant to the Company's share option scheme as further detailed in note 26 to the financial statements, the Company has granted share options at the consideration of HK\$1 per grant to subscribe for shares in the Company, the details of which are as follows:

Name of director	Number of share options granted during the year and outstanding at end of year
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

Note: All the share options were granted on 3 January 2000 and are exercisable at a subscription price of HK\$0.268 per share during the period from 3 January 2000 to 10 July 2004.

No share options were 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.

# Report of the Directors

## Directors' interests in share capital

At 31 December 2000, 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 are deemed to have corporate interests in the shares in the Company by virtue of their beneficial interests in the shares in Hong Fok Corporation Limited, a substantial shareholder of the Company.

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

Name of director	Number of shares held and nature of interest			
	Corporate Note (a)	Personal	Family	Other Note (b)
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	54,661,000	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 have beneficial interests.

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

## Directors' interests in share capital (continued)

Save as disclosed above and under the heading "Directors' rights to acquire shares", 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 31 to the financial statements, no director had a significant beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

## Substantial shareholders

At 31 December 2000, 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 "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.



## Report of the Directors

### Purchase, sale and redemption of the Company's listed securities

During the year, the Company repurchased and cancelled certain of its listed shares on The Stock Exchange of Hong Kong Limited. Details of the repurchases are set out below:

Month of repurchase	Number of shares repurchased	Price per share paid		Aggregate consideration paid*
		Highest	Lowest	
		HK\$	HK\$	HK\$
January 2000	708,000	0.360	0.330	248,491
April 2000	1,930,000	0.375	0.355	714,396
May 2000	993,000	0.370	0.355	367,196
July 2000	700,000	0.360	0.355	255,461
August 2000	441,000	0.360	0.350	160,069
October 2000	1,324,000	0.275	0.260	365,627
November 2000	200,000	0.255	0.255	52,196
	<u>6,296,000</u>			<u>2,163,436</u>

\* Including direct cost attributable to the repurchase

Apart from the above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

The above repurchases were made for the purpose of enhancing the consolidated net asset value and earnings per share of the Company.

### Connected transaction

During the year, the Group had recorded a related party transaction, as detailed in note 31 to the financial statements, which constituted a connected transaction under the Listing Rules. In the opinion of the directors, such connected transaction was conducted in the normal course of business, it was therefore not subject to any disclosure or shareholders' approval requirements under the Listing Rules.

## **Compliance with the 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 year covered by the annual report.

## **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

29 March 2001