

Report of the Directors

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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 the principal subsidiaries, principal jointly-controlled entities and associates are set out in notes 15, 16 and 17 to the financial statements, respectively. There were no changes in the nature of the Group's principal activities during the year.

FINANCIAL RESULTS AND DIVIDENDS

The Group's net loss from ordinary activities attributable to shareholders 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 61.

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

Report of the Directors (continued)

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations for the year ended 31 December 2000 is as follows:

| | Turnover | | Contribution to loss from operating activities | |
|--|----------|----------|--|----------|
| | 2000 | 1999 | 2000 | 1999 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| By activity: | | | | |
| Investment holding | 5,580 | 4,170 | (7,521) | (3,554) |
| Property investment | 1,492 | 911 | 199 | 423 |
| | 7,072 | 5,081 | (7,322) | (3,131) |
| By geographical area: | | | | |
| The People's Republic of China ("PRC"): | | | | |
| Hong Kong | 965 | 875 | (9,189) | (3,525) |
| Elsewhere | 6,107 | 4,206 | 1,867 | 394 |
| | 7,072 | 5,081 | (7,322) | (3,131) |

Report of the Directors (continued)

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SUMMARY OF 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 audited financial statements is set out below:

| | Year ended 31 December | | | | |
|--|------------------------|----------|----------|-----------|-----------|
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| RESULTS | | | | | |
| Turnover | 7,072 | 5,081 | 8,603 | 12,088 | 960 |
| Other revenue | 10,340 | 122 | 494 | 261 | 4,941 |
| Administrative expenses | (13,859) | (4,812) | (8,125) | (26,084) | (21,703) |
| Other operating expenses | (10,875) | (3,522) | (833) | (5,618) | (5,201) |
| Provision for permanent diminutions in values of long term investments | - | - | - | (221,656) | (235,800) |
| Profit/(Loss) from operating activities | (7,322) | (3,131) | 139 | (241,009) | (256,803) |
| Finance costs | (32,523) | (32,358) | (36,398) | (9,912) | (7,006) |
| Share of profits/(losses) of: | | | | | |
| Jointly-controlled entities | 253 | 9,444 | (35,005) | (60,382) | 44,016 |
| Associates | (4,864) | (5,873) | 1,310 | 176 | (4,494) |
| Loss before tax | (44,456) | (31,918) | (69,954) | (311,127) | (224,287) |
| Tax | (2,326) | (2,213) | (7,585) | (3,481) | 27,859 |
| Loss before minority interests | (46,782) | (34,131) | (77,539) | (314,608) | (196,428) |
| Minority interests | 1,805 | (3,188) | 5,056 | 9,540 | (23,523) |
| Net loss from ordinary activities attributable to shareholders | (44,977) | (37,319) | (72,483) | (305,068) | (219,951) |

Report of the Directors (continued)

SUMMARY OF FINANCIAL INFORMATION (continued)

| | 31 December | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| ASSETS AND LIABILITIES | | | | | |
| Fixed assets | 4,797 | 143 | 159 | 423 | 1,026 |
| Investment properties | 80,000 | 85,000 | 89,000 | 58,109 | – |
| Properties under development | 191,110 | 187,950 | 187,289 | 187,010 | 185,575 |
| Interests in jointly-controlled entities | 681,841 | 785,543 | 642,578 | 675,505 | 875,952 |
| Interests in associates | 31,041 | 16,654 | 26,305 | 39,647 | 52,703 |
| Long term investments | – | – | – | – | 221,656 |
| Pledged time deposit | – | – | 116,637 | 116,709 | – |
| Current assets | 114,348 | 1,675 | 16,947 | 14,112 | 6,613 |
| Total assets | 1,103,137 | 1,076,965 | 1,078,915 | 1,091,515 | 1,343,525 |
| Current liabilities | 144,175 | 147,835 | 317,225 | 319,726 | 115,683 |
| Interest-bearing bank and other borrowings | 187,986 | – | – | – | 162,466 |
| Loans from related companies | 15,431 | 237,397 | 35,779 | – | – |
| Deferred income | 55,886 | 55,886 | 55,886 | 25,254 | 15,621 |
| Minority interests | 147,248 | 125,689 | 122,833 | 125,972 | 130,692 |
| Total liabilities and minority interests | 550,726 | 566,807 | 531,723 | 470,952 | 424,462 |
| Net assets | 552,411 | 510,158 | 547,192 | 620,563 | 919,063 |

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group are set out in note 12 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the Group's investment properties are set out in note 13 to the financial statements.

SUBSIDIARIES

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

JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Group's interests in its principal jointly-controlled entities and associates are set out in notes 16 and 17 to the financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Details of the Company's and the Group's bank loans and other borrowings are set out in note 20 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with reasons therefor, are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$315,115,000 (1999: HK\$297,329,000).

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for approximately 83% of the Group's total turnover for the year and the turnover attributable to the largest customer, which is a jointly-controlled entity of the Group, included therein amounted to approximately 60%.

The Group's turnover comprised interest income and rental income. Therefore, the Group did not have any purchases attributable to the five largest suppliers during the year.

Save as disclosed in note 29 to the financial statements, as far as the directors are aware, 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.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors and the five highest paid employees, disclosed pursuant to Section 161 of the Companies Ordinance and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out in notes 7 and 8 to the financial statements, respectively.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

| | |
|-------------------------|---|
| Dhanin Chearavanont | (resigned on 14 April 2000) |
| Sumet Jiaravanon | (resigned on 14 April 2000) |
| Min Tieworn | (resigned on 14 April 2000) |
| Soopakij Chearavanont | (appointed on 14 April 2000 and re-elected on 28 June 2000) |
| Tse Ping | (appointed on 14 April 2000 and re-elected on 28 June 2000) |
| Supachai Chearavanont | (appointed on 14 April 2000 and re-elected on 28 June 2000) |
| Chatchaval Jiaravanon | (appointed on 14 April 2000 and re-elected on 28 June 2000) |
| Kachorn Chiaravanont | (appointed on 14 April 2000 and re-elected on 28 June 2000) |
| Vichaow Rakphongphairoj | (appointed on 14 April 2000 and re-elected on 28 June 2000) |
| Yang Xiaoping | (appointed on 14 April 2000 and re-elected on 28 June 2000) |
| Robert Ping-Hsien Ho | (appointed on 14 April 2000 and re-elected on 28 June 2000) |

Independent Non-Executive Directors:

Viroj Sangsrit
Chokchai Kotikula

The Independent Non-Executive Directors of the Company are appointed for a term of two years 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.

Subsequent to the balance sheet date on 1 February 2001, Vichaow Rakphongphairoj resigned as Executive Director of the Company. On the same date, Narong Chearavanont was appointed as Executive Director of the Company.

DIRECTORS (continued)

In accordance with article 99 of the Company's articles of association, Narong Chearavanont will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with article 116 of the Company's articles of association, Soopakij Chearavanont, Supachai Chearavanont, Chokchai Kotikula will retire by rotation and, being eligible, will 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' INTERESTS IN CONTRACTS

Apart from those transactions detailed in note 29 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, its holding company, its subsidiaries or any of its fellow subsidiaries was a party at the balance sheet date or at any time during the year.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

At the balance sheet date, none of the Directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

The details of the exercise of share options by the following Directors during the year are as follows:

| Name of director | Number of share options at 31 December 1999 | Number of share options exercised during the year | Exercise date |
|---|--|--|---------------|
| Dhanin Chearavanont (resigned on 14 April 2000) | 18,063,166 | (18,063,166) | 2 March 2000 |
| Sumet Jiaravanon (resigned on 14 April 2000) | 17,750,000 | (17,750,000) | 2 March 2000 |
| Min Tienworn (resigned on 14 April 2000) | 17,750,000 | (17,750,000) | 2 March 2000 |
| | 53,563,166 | (53,563,166) | |

Each share option entitles the holder to subscribe for one ordinary share of the Company at an exercise price of HK\$0.154 per share.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, its subsidiaries or any of its fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

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

| Name | Number of ordinary shares held |
|---------------|-----------------------------------|
| Ramon Limited | 3,648,831,237 |

Dhanin Chearavanont has a 50.86% interest in Ramon Limited. Save as disclosed above, no person had registered an interest in the shares of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 30 to the financial statements.

LOANS TO JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

At the balance sheet date, the Group had loans to jointly-controlled entities and associates of HK\$272,785,000 and HK\$37,284,000 respectively. Further details of the loans and the respective percentage of attributable interest in the jointly-controlled entities and the associates are set out in note 16 and note 17 to the financial statements respectively. The combined balance sheet of these jointly-controlled entities and associates, disclosed pursuant to Practice Note 19 of the Listing Rules, is set out below:

| | HK\$'000 |
|---------------------------------------|-------------|
| Fixed assets | 24,275 |
| Long term investment | 4 |
| Land and properties under development | 595,114 |
| Current assets | 1,222,724 |
| Current liabilities | (1,189,351) |
| Long term loans | (194,775) |
| | 457,991 |
| Share capital | 562,503 |
| Reserves | 11,363 |
| Accumulated losses | (115,875) |
| | 457,991 |

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 throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Audit Committee comprises the two independent non-executive directors of the Company. The setting up of the Audit Committee enhances corporate governance practices and the principal duties of the Audit Committee include the review and supervision of the Company's financial reporting process and internal controls. The Audit Committee met twice during the year to review the Company's financial statements prior to the finalisation of the interim and final results.

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

Tse Ping
Director

Hong Kong, 9 April 2001