

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2000.

Principal activities

In addition to its principal activities of production and distribution of wines, ostrich leather and meat, the Group has embarked into Ostrich farming during the year.

Segmented information

An analysis of the Group turnover and contribution to result from ordinary activities, analysed by principal activity and geographic areas of operations for the year ended 31 December 2000, were as follows:

	Turnover		Contribution to profit from operating activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Continuing operations:				
Manufacture and sale of wines	135,617	134,116	58,579	60,156
Processing and distribution of ostrich leather and meat	52,374	52,910	18,323	18,121
	<u>187,991</u>	<u>187,026</u>	<u>76,902</u>	<u>78,277</u>
Other income			10,844	13,590
Discontinued operations (1999: net of income of HK\$4,620,398)			-	(8,503)
Expenses-net			(82,357)	(79,136)
Profit from operating activities			<u>5,389</u>	<u>4,228</u>

Report of the Directors

Segmented information (continued)

	Turnover		Contribution to profit from operating activities	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographic area:				
Continuing Operations				
Hong Kong	9,600	16,509	3,177	6,293
Elsewhere in the PRC	132,497	128,464	56,219	56,175
Asia	6,470	10,012	983	3,760
North America	13,759	14,585	7,906	5,485
Europe	11,647	8,539	5,517	3,211
South Africa	14,018	8,917	3,100	3,353
	<u>187,991</u>	<u>187,026</u>	76,902	78,277
Other income			10,844	13,590
Discontinued operations (1999: net of income of HK\$4,620,398)			-	(8,503)
Expenses-net			(82,357)	(79,136)
Profit from operating activities			<u>5,389</u>	<u>4,228</u>

Results

The Group's results for the year ended 31 December 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 78.

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

Report of the Directors

Summary financial information

Set out below is a summary of the published results and the net assets of the Group for the last five years ended 31 December 2000.

	Year ended 31 December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
TURNOVER	<u>187,991</u>	<u>187,026</u>	<u>174,094</u>	<u>349,817</u>	<u>405,825</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(82,375)</u>	<u>(37,263)</u>	<u>(1,008)</u>	<u>(100,221)</u>	<u>(90,338)</u>
	As at 31 December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Total assets less current liabilities	630,953	514,097	501,462	614,069	405,581
Long term liabilities	(6,866)	(13,766)	(9,136)	(30,420)	(36,389)
Minority interests	(128,198)	(99,350)	(99,526)	(205,631)	(205,797)
Net assets	<u>495,889</u>	<u>400,981</u>	<u>392,800</u>	<u>378,018</u>	<u>163,395</u>

Accounting policies

The principal accounting policies of the Group are set out in note 2 to the financial statements.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

Report of the Directors

Subsidiaries and associates

Particulars of the Company's principal subsidiaries and the Group's associates as at 31 December 2000 are set out in notes 13 and 14 to the financial statements.

Bank borrowings

Details of the bank borrowings of the Group and the Company at the balance sheet date are set out in notes 22 and 23 to the financial statements.

Share capital and options

Details of movements in the share capital and share options of the Company for the year ended 31 December 2000 and subsequent to the balance sheet date, together with reasons therefor, are set out in note 25 to the financial statements.

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 of the Group during the year are set out in note 26 to the financial statements.

Distributable reserves

The Company did not have any reserves available for cash distribution or distribution in specie at 31 December 2000 as computed in accordance with the Companies Act 1981 of Bermuda (as amended). In addition, the share premium account of HK\$542,584,000 as at 31 December 2000 may be distributed in the form of fully paid bonus shares.

Pledge of assets

Details of the pledge of assets of the Group and the Company at the balance sheet date are set out in notes 11 and 22 to the financial statements.

Report of the Directors

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors

Kwee, Cahyadi Kumala (*Chairman*)

Chan, Chuen Wing (*Vice Chairman and Managing Director*)

Jong, Soebakti Harsono (*Vice Chairman*)

Amantoy, Jose B.

Guan, Xian Liang

Dequina, Karen

Liaw, Chung Shiung

Non-executive directors

Chiu, Chi Keung Parker

Pikanto, Hanyman

Cai, Jing Hua (resigned on 23 May 2000)

In accordance with article 91 and 99(B) of the Company's Bye-laws Ms. Dequina, Karen, Messrs. Liaw, Chung Shiung and Jong, Soebakti Harsono will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The term of office of each of the non-executive directors is the period up to his retirement by rotation in accordance with the Company's articles of association.

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.

Report of the Directors

Directors' interests in shares

At 31 December 2000, the interests of the directors in the listed securities of the Company as recorded in the register required to be kept pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

	Number of ordinary shares held		
	Personal interest	Corporate interest	Total
Kwee, Cahyadi Kumala	52,500,000	727,410,624 (Note)	779,910,624
Chan, Chuen Wing	52,500,000	–	52,500,000
Jong, Soebakti Harsono	47,500,000	–	47,500,000
Guan, Xian Liang	32,500,000	–	32,500,000
Dequina, Karen	5,000,000	–	5,000,000

Note: These shares were held by Prestbury Incorporated Ltd. which is beneficially owned by Mr. Kwee, Cahyadi Kumala.

As at the balance sheet date, the beneficial interests of the directors in the share capital of the associated corporation (within the meaning of the SDI Ordinance) of the Company, which had been notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 or Section 31 of the SDI Ordinance, or were required to be entered in the register maintained pursuant to section 29 of the SDI Ordinance, were that Mr. Chan Chuen Wing held 70,968 shares in Perfect Period Limited, a subsidiary of the Company.

Save as disclosed above, none of the directors of the Company or their associates had any interest in the securities of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 and Part I of the Schedule to that Ordinance) or which are required, pursuant to Section 29 of the Ordinance, to be entered in the register referred to therein.

Directors' interests in contracts

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

Report of the Directors

Directors' rights to acquire shares

The Company has a share option scheme under which the directors may grant options to employees, including directors, of the Group to subscribe up to 10% of the nominal amount of the issued share capital of the Company. Details of options granted to the directors under this scheme and outstanding as at date of this report are as follows:

Name	Date of granted	Exercise Price HK\$	Number of shares in respect of options granted		
			At 1 January 2000	Exercised during the year	At 31 December 2000
Kwee, Cahyadi Kumala	7 July 1998	0.10	20,000,000	(20,000,000)	–
	5 July 1999	0.05	32,500,000	(32,500,000)	–
Chan, Chuen Wing	10 July 1998	0.10	20,000,000	(20,000,000)	–
	5 July 1999	0.05	32,500,000	(32,500,000)	–
Jong, Soebakti Harsono	30 June 1998	0.10	15,000,000	(15,000,000)	–
	5 July 1999	0.05	32,500,000	(32,500,000)	–
Guan, Xian Liang	5 July 1999	0.05	32,500,000	(32,500,000)	–
Dequina, Karen	7 July 1998	0.10	5,000,000	(5,000,000)	–
			<u>190,000,000</u>	<u>190,000,000</u>	<u>–</u>

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the directors and chief executives of the Company, 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.

Substantial shareholders

As at 31 December 2000, the following interests of 10% or more in the share capital of the Company were recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held
Prestbury Incorporated Ltd. (Note)	727,410,624
Pan Asia Sat Media Ltd.	665,568,000

Report of the Directors

Substantial shareholders (continued)

Note: The ultimate beneficial owner of Prestbury Incorporated Ltd. is Mr. Kwee, Cahyadi Kumala. Total number of shares held by Mr. Kwee, Cahyadi Kumala is 779,910,624, after adding those shares held under his name.

Save as disclosed above, the directors were not aware of any person who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Retirement scheme and costs

Retirement benefits are provided to certain Hong Kong staff employed by the Group. In accordance with the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Schemes Ordinance, the Group's Hong Kong employees enjoy retirement benefits under either the Mandatory Provident Fund Scheme (effective from 1 December 2000) under which employer's voluntary contributions have to be made. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group's contributions to both schemes are at a maximum of 5% of the monthly salary. When an employee leaves the Mandatory Provident Fund Exempted ORSO scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. However, in respect of the Mandatory Provident Fund Scheme, the forfeited amounts shall be refunded to the Group when the members leave employment prior to the vesting of any employer voluntary contributions. The Group's mandatory contributions are fully vested with the employees when the employees leave the scheme.

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme (that is the predecessor of the Mandatory Provident Fund Exempted ORSO scheme) for those employees who were eligible and had elected to participate in the scheme. The assets of the scheme were held separately from those of the Group in an independently administered fund. Contributions were made based on a percentage of the participating employees basic salaries and were charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contribution.

The employees in subsidiaries located in the People's Republic of China ("the PRC") are members of the Central Pension Scheme operated by the Chinese government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the subsidiaries with respect to the Central Pension Scheme is to meet the required contributions under the Central Pension Scheme.

Report of the Directors

Retirement scheme and costs (continued)

The employees in subsidiaries located in South Africa are not entitled to receive retirement benefits contributions from the Group.

The pension costs charged to the profit and loss account for the year were approximately HK\$114,000, before deducting the forfeited contributions of HK\$52,000.

Major customers and major suppliers

Sales to the Group's five largest customers and the single largest customer accounted for 30% and 9% of the Group's turnover for the year, respectively.

Purchases from the Group's five largest suppliers and the single largest supplier accounted for approximately 17% and 5% of the Group's total purchases for the year, respectively.

As far as the directors are aware, neither the directors, their associates, nor those shareholders who, to the knowledge of the directors, own more than 5% of the Company's share capital had any interests in the five largest customers and suppliers.

Purchases, sales and redemptions 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.

Code of Best Practice and corporate governance

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the year, except that the independent non-executive directors were not appointed for specific terms.

In compliance with the additional requirement of the Stock Exchange of Hong Kong Limited in its Code of Best Practice, on 22 June 1999, the Company established an Audit Committee with written terms of reference comprising two non-executive directors. Two Audit Committee meetings were held prior to the date of this report.

Report of the Directors

Auditors

During the year, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company, and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. Ernst & Young now 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

Chan Chuen Wing
Managing Director

Hong Kong, 23 April 2001

