

The Directors present their report together with the audited financial statements for the year ended 31st December, 2000.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries and associates are principally engaged in investment holding, property investment and development, estate management, food businesses, fund management, underwriting, securities broking, securities trading and treasury investments and the provision of commercial banking, consumer finance, mortgage finance, insurance and other related financial services. The activities and other particulars of the principal subsidiaries and those of the principal associates are set out in the financial statements on pages 82 to 91 and pages 92 to 93 respectively.

There were no significant changes in the nature of these activities during the year.

## TURNOVER AND CONTRIBUTION

An analysis of Group turnover and contribution to loss from operating activities (after finance costs) by principal activity and by geographical location is as set out below.

Principal activity	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Property investment and development	417,203	438,974	(664,667)	(126,818)
Securities investment	93,831	243,202	(69,635)	(149,130)
Food businesses	524,468	651,425	(1,665)	(3,186)
Interest income	355,183	298,531	118,962	36,590
Fund management and securities broking	121,170	93,360	3,260	3,992
Banking businesses ( <i>Note</i> )	547,183	452,097	31,101	(670)
Other	31,546	60,908	141,459	57,531
	<b>2,090,584</b>	<b>2,238,497</b>	<b>(441,185)</b>	<b>(181,691)</b>

*Note:* Turnover generated from banking businesses represents net interest income, commissions, dealing income and other revenues from a banking subsidiary.

**TURNOVER AND CONTRIBUTION** *(continued)*

Geographical location	Turnover		Contribution	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Hong Kong	<b>1,142,060</b>	1,290,228	<b>(186,757)</b>	(100,200)
Singapore	<b>892,251</b>	745,347	<b>(91,403)</b>	24,722
People's Republic of China	<b>46,598</b>	60,596	<b>(152,991)</b>	(125,145)
Other	<b>9,675</b>	142,326	<b>(10,034)</b>	18,932
	<b>2,090,584</b>	2,238,497	<b>(441,185)</b>	(181,691)

**RESULTS AND DIVIDENDS**

The results and details of cash flows of the Group for the year ended 31st December, 2000 and the state of affairs of the Group and the Company as at 31st December, 2000 are set out in the financial statements on pages 22 to 93.

No interim dividend was declared (1999 – Nil) and the Directors have resolved not to recommend the payment of any final dividend for the year ended 31st December, 2000 (1999 – Nil).

**SUMMARY OF FINANCIAL INFORMATION**

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31st December, 2000 is set out on page 99.

**FIXED ASSETS**

Details of movements in fixed assets during the year are set out in Note 13 to the financial statements.

**INVESTMENT PROPERTIES**

Details of movements in investment properties during the year are set out in Note 14 to the financial statements.

**BANK LOANS AND OTHER BORROWINGS**

Details of bank loans and other borrowings are summarised in Note 28 to the financial statements.

## SHARE CAPITAL

Details of the share capital of the Company are set out in Note 26 to the financial statements.

There are no provisions for pre-emptive rights under the Company's Articles of Association which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## SHARE OPTION SCHEMES

Details of the Share Option Scheme of the Company are set out in Note 26 to the financial statements.

Details of the share option schemes of the subsidiaries of the Company are as set out below.

- (a) Pursuant to the Share Option Scheme for Employees of Lippo China Resources Limited ("LCR"), a listed subsidiary of the Company, approved and adopted by the shareholders of LCR in 1994, the Directors of LCR may, at their discretion, grant to any employees (including Directors) of LCR and its subsidiaries options to subscribe for shares in LCR.

The following is a summary of movement in share options of LCR during the year:

Year of grant	Exercise price per share in LCR	Quantity of share options outstanding at 1st January, 2000	Quantity of share options exercised during the year	Quantity of share options lapsed during the year	Quantity of share options outstanding at 31st December, 2000
1997	HK\$0.883	7,000,000	-	1,200,000	5,800,000

Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each share option is entitled to subscribe for six shares of HK\$0.10 each in LCR at the above exercise price per share which is subject to adjustment. The share options were granted at a consideration of HK\$1.00 per grantee.

**SHARE OPTION SCHEMES** *(continued)*

- (b) Pursuant to the Share Option Scheme for Employees approved and adopted by the shareholders of The HKCB Bank Holding Company Limited (“HKCB Holding”), a listed subsidiary of the Company, in 1992, the Directors of HKCB Holding may, at their discretion, grant to any full time employees of HKCB Holding and its subsidiaries, including full time Executive Directors, options to subscribe for shares in HKCB Holding.

The following is a summary of movement in share options of HKCB Holding during the year:

Year of grant	Exercise price per share in HKCB Holding	Quantity of share options outstanding at 1st January, 2000	Quantity of share options exercised during the year	Quantity of share options outstanding at 31st December, 2000
1994	HK\$2.59	1,010,000	–	1,010,000
1999	HK\$1.65	4,700,000	4,700,000	–
1999	HK\$2.40	100,000	–	100,000
		5,810,000	4,700,000	1,110,000

The share options were granted at a consideration of HK\$1.00 per grantee. The holder of each share option is entitled to subscribe for one share of HK\$1.00 in HKCB Holding in cash at the above exercise price per share which is subject to adjustment.

**SHARE OPTION SCHEMES** *(continued)*

- (c) Pursuant to the Executives Shares Option Scheme of Auric Pacific Group Limited (“Auric”), a listed subsidiary of the Company in Singapore, approved by the shareholders of Auric in 1992, the Directors of Auric may, at their discretion, grant to any employees of Auric and its subsidiaries options to subscribe for shares in Auric.

The following is a summary of movements in share options of Auric during the year:

Year of grant	Exercise price per share in Auric	Quantity of share options outstanding at 1st January, 2000	Quantity of share options exercised during the year	Quantity of share options lapsed during the year	Quantity of share options outstanding at 31st December, 2000
1998	S\$1.02	355,000	65,000	200,000	90,000
1999	S\$1.53	785,000	–	635,000	150,000
		1,140,000	65,000	835,000	240,000

The share options were granted at a consideration of S\$1.00 per grantee. The holder of each share option is entitled to subscribe for one share of S\$0.50 in Auric in cash at the above exercise price per share which is subject to adjustment.

**WARRANTS**

On 20th July, 1999, Lippo China Resources Limited (“LCR”), a listed subsidiary of the Company, issued 1,226,798,498 units new warrants with an aggregate subscription value of approximately HK\$429,380,000 pursuant to the rights issue of shares in 1999 in the proportion of two warrants for every five rights shares taken up. The warrants entitle the registered holders to subscribe in cash for up to 1,226,798,498 new shares of HK\$0.10 each in LCR at an initial subscription price of HK\$0.35 per share (subject to adjustment). The warrants are exercisable at any time within a period of three years commencing on and including 23rd July, 1999.

As at 1st January, 2000, there were outstanding warrants in an aggregate subscription value of approximately HK\$429,373,000. During the year, warrants carrying an aggregate subscription value of approximately HK\$17,000 were exercised, resulting in the issue of 48,000 new shares of HK\$0.10 each in LCR. Due to the rights issue of shares in 2000, the exercise price of the warrants was adjusted to HK\$0.32 per share (subject to adjustment). The exercise in full of the remaining warrants with an aggregate subscription value of approximately HK\$429,356,000 would, under the capital structure of LCR as at 31st December, 2000, result in the issue of 1,341,737,956 shares of HK\$0.10 each in LCR.

## RESERVES

Details of movements in reserves during the year and details of the distributable reserves are set out in Note 27 to the financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 82 to 91.

## INTEREST CAPITALISED

Interest expenses of HK\$122,000 (1999 – HK\$16,839,000) were capitalised during the year in respect of the Group's properties under development.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$3,681,000 (1999 – HK\$18,912,000).

## DIRECTORS

The Directors of the Company during the year were:

Dr. Mochtar Riady (*Honorary Chairman*)

Mr. Stephen Riady (*Chairman*)

Mr. John Luen Wai Lee (*Managing Director*)

Mr. Jark Pui Lee, O.B.E., J.P.

Mr. Hugh Moss Gerald Forsgate, C.B.E., J.P.\*

Mr. David T. Yeh

Mr. Lee Seng Huang

Mr. Leon Nim Leung Chan\*

Mr. James Riady (resigned on 31st May, 2000)

Sir Gordon Macwhinnie, C.B.E., J.P. (resigned on 31st May, 2000)

Mr. Arthur George Dew (resigned on 21st June, 2000)

\* *independent non-executive Directors*

In accordance with Article 99 of the Company's Articles of Association, Messrs. Jark Pui Lee and Leon Nim Leung Chan will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

**BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

**Dr. Mochtar Riady** (also known as Dr. Lee Man Tjin), aged 71, is the founder and the Chairman of the group of companies controlled by the Riady family. Dr. Riady is the father of Mr. Stephen Riady. Dr. Riady has over 30 years' banking and financial institution experience in Indonesia, Hong Kong, Singapore, Taiwan and the United States of America. He was appointed the Honorary Chairman of the Company in 1992. He is also the Honorary Chairman of Lippo China Resources Limited ("LCR"), the Chairman of The HKCB Bank Holding Company Limited ("HKCB Holding") and The Hongkong Chinese Bank, Limited ("HKCB"), and a Director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital"). He is also a non-executive Director of AcrossAsia Multimedia Limited. Details of the interests of Dr. Mochtar Riady in the Company are disclosed in the section headed "Directors' interests in the securities of the Company and associated corporations".

**Mr. Stephen Riady**, aged 40, has been the Chairman of the Company since 1991. Mr. Riady is a son of Dr. Mochtar Riady. He is also the Deputy Chairman and Managing Director of LCR, the Group Managing Director of Auric Pacific Group Limited ("Auric") and a Director of HKCB Holding, HKCB, Lanius Limited, Lippo Cayman and Lippo Capital. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region. Details of the interests of Mr. Stephen Riady in the Company are disclosed in the section headed "Directors' interests in the securities of the Company and associated corporations".

**Mr. John Luen Wai Lee**, aged 52, has been the Managing Director of the Company since 1991. Mr. Lee is also a Director of LCR, HKCB Holding and Auric. He is a qualified accountant and was a partner of one of the leading international accounting firms in Hong Kong. He has extensive experience in corporate finance and capital market.

**Mr. Jark Pui Lee**, O.B.E., J.P., aged 61, was appointed a Director of the Company in 1992. He is also a Director of The Hong Kong Building and Loan Agency Limited ("HKBLA"). Mr. Lee holds a bachelor of arts degree (Hons) from The University of Hong Kong. Mr. Lee worked for the Hong Kong Government and was the Secretary-General of The Chinese Manufacturers' Association of Hong Kong. He has served and contributed to the local community for over 30 years. Mr. Lee is currently the Chairman of The Legal Aid Services Council, The Agency for Volunteer Service and the International Chamber of Commerce – Hong Kong, China Business Council.

**BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT***(continued)*

**Mr. Hugh Moss Gerald Forsgate**, C.B.E., J.P., aged 82, was appointed an independent non-executive Director of the Company, LCR and HKBLA in 1993. He was the Chief Executive of a major listed company in Hong Kong for 20 years before retiring in 1979. From 1983 to 1991, Mr. Forsgate was the Chairman of the Kowloon-Canton Railway Corporation and currently sits on the boards of several public companies. He was a former Chairman of the Urban Council and is a member of the Hong Kong Port and Maritime Board and a Council Member of the Hong Kong Management Association and of the Hong Kong General Chamber of Commerce.

**Mr. David T. Yeh**, aged 49, was appointed a Director of the Company in 1991. He is also a Director of LCR and HKBLA. He holds a bachelor of arts degree from St. John's University in Minnesota, the United States of America. Mr. Yeh has over 20 years' experience in retail, commercial and merchant banking in Hong Kong and the United States of America.

**Mr. Lee Seng Huang**, aged 26, was appointed a Director of the Company in April 1999. Mr. Lee was educated in Australia and has had previous experience in corporate administration in Malaysia and within the region. He is also an executive Director of Sun Hung Kai & Co. Limited and a Director of LCR and Auric.

**Mr. Leon Nim Leung Chan**, aged 45, was appointed an independent non-executive Director of the Company in 1997. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and is a member of the Solicitors Disciplinary Tribunal. Mr. Chan was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He is also an independent non-executive Director of LCR, HKCB Holding and HKBLA.



## DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December, 2000, the interests of the Directors of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as set out below.

### The Company

Name	Type of interest	Number of shares of HK\$0.10 each in the Company
Mochtar Riady	Note (i)	248,297,776
Stephen Riady	Note (i)	248,297,776
Jark Pui Lee	Family	48
John Luen Wai Lee	Personal	825,000

### Lippo China Resources Limited ("LCR")

Name	Type of interest	Number of shares of HK\$0.10 each in LCR	Amount of warrants to subscribe for shares of HK\$0.10 each in LCR
Mochtar Riady	Notes (i) and (ii)	6,141,720,389	HK\$233,423,940.75
Stephen Riady	Notes (i) and (ii)	6,141,720,389	HK\$233,423,940.75

### The HKCB Bank Holding Company Limited ("HKCB Holding")

Name	Type of interest	Number of shares of HK\$1.00 each in HKCB Holding
Mochtar Riady	Notes (i), (ii) and (iii)	794,487,743
Stephen Riady	Notes (i), (ii) and (iii)	794,487,743
Jark Pui Lee	Personal	350
	Family	350
John Luen Wai Lee	Personal	200
	Family	200

## DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS (*continued*)

*Note:*

- (i) As at 31st December, 2000, Lippo Cayman Limited ("Lippo Cayman"), and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly beneficially interested in an aggregate of 248,297,776 shares of HK\$0.10 each in, representing approximately 56.7 per cent. of, the issued share capital of the Company. Lippo Cayman is wholly owned by Lanius Limited, the trustee of a trust, the beneficiaries of which include Dr. Mochtar Riady, Mr. Stephen Riady and their respective family members.
- (ii) As at 31st December, 2000, the Company was indirectly beneficially interested in 6,141,720,389 shares of HK\$0.10 each in, representing approximately 66.7 per cent. of, the issued share capital of LCR, and warrants of LCR with an aggregate subscription value of HK\$233,423,940.75.
- (iii) As at 31st December, 2000, Lippo Cayman and LCR were directly and indirectly beneficially interested in an aggregate of 794,487,743 shares of HK\$1.00 each in, representing approximately 58.8 per cent. of, the issued share capital of HKCB Holding.
- (iv) As at 31st December, 2000, LCR, through its wholly-owned subsidiary, HKCB Corporation Limited, and its subsidiary, The Hongkong Chinese Bank, Limited, was indirectly beneficially interested in an aggregate of 168,746,038 shares of HK\$1.00 each in, representing approximately 75 per cent. of, the issued share capital of The Hong Kong Building and Loan Agency Limited.
- (v) As at 31st December, 2000, Dr. Mochtar Riady and Mr. Stephen Riady were deemed to be interested in 4,167,248,769 shares of HK\$0.10 each in AcrossAsia Multimedia Limited ("AAM"), an associated corporation (within the meaning of the SDI Ordinance) of the Company.
- (vi) As at 31st December, 2000, Mr. John Luen Wai Lee was interested in 230,000 shares of HK\$0.10 each in AAM and was deemed to be interested in 300,000 shares of US\$1.00 each in KeyTrend Technology Holdings Limited, an associate of AAM.
- (vii) Dr. Mochtar Riady and Mr. Stephen Riady were also deemed to be interested in the share capital of the associated corporations (within the meaning of the SDI Ordinance) of the Company held through Lippo Cayman under the provisions of the SDI Ordinance.
- (viii) Certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Group solely for the purpose of holding the requisite qualifying shares.

Save as disclosed herein, as at 31st December, 2000, none of the Directors or the chief executive of the Company were beneficially interested in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which are required to be recorded in the register kept under Section 29 of the SDI Ordinance or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# **DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS** *(continued)*

As at 31st December, 2000, the following Directors of the Company held the options, as stated below:

Name	Number of shares of HK\$0.10 each in LCR in respect of which options have been granted*
John Luen Wai Lee	9,000,000
David T. Yeh	9,000,000

\* The options were granted on 23rd June, 1997 at a consideration of HK\$1.00 per grantee under the Share Option Scheme for Employees adopted by LCR (the "LCR Scheme"). Such options can be exercised on or before 23rd June, 2007 in accordance with the rules of the LCR Scheme to subscribe for shares in LCR at an initial exercise price of HK\$5.30 per share (subject to adjustment). Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each option is entitled to subscribe for six shares of HK\$0.10 each in LCR at an exercise price of HK\$0.883 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year.

As at 31st December, 2000, Dr. Mochtar Riady had an option to subscribe for 8,273,000 shares of HK\$0.10 each in AAM at an exercise price of HK\$3.28 per share. Such option is exercisable in specific parts within specific periods starting from 14th January, 2001.

Save as disclosed herein, as at 31st December, 2000, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

## **ARRANGEMENTS TO ACQUIRE SHARES AND DEBENTURES**

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable a Director of the Company 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 31st December, 2000, according to the register of interests kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), the persons who were, directly or indirectly, beneficially interested in 10 per cent. or more in the issued share capital of the Company were as set out below.

<b>Name</b>	<b>Number of shares of HK\$0.10 each</b>	<b>Approximate percentage</b>
Lippo Capital Limited (“Lippo Capital”)	218,500,000	49.9
Lippo Cayman Limited (“Lippo Cayman”)	248,297,776	56.7
Lanius Limited (“Lanius”)	248,297,776	56.7

*Note:*

- (i) By virtue of Section 8 of the SDI Ordinance, Lanius was deemed to have the same beneficial interest in the shares of the Company as Lippo Cayman, a wholly-owned subsidiary of Lanius, and Lippo Cayman’s interest included the interest of Lippo Capital, a wholly-owned subsidiary of Lippo Cayman.
- (ii) As at 31st December, 2000, Lippo Cayman had, under a share mortgage, charged 49 per cent. of its interest in Lippo Capital to Ranbridge Finance Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited (“SHK”). Also, as at 31st December, 2000, SHK, through its wholly-owned subsidiaries, was interested in 37,450,000 shares of HK\$0.10 each in, representing approximately 8.5 per cent. of, the issued share capital of the Company.
- (iii) The interests of Lippo Cayman and Lanius are the same as the interests of Dr. Mochtar Riady and Mr. Stephen Riady as disclosed in the section headed “Directors’ interests in the securities of the Company and associated corporations”.

## DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN CONTRACTS

Save as disclosed in Note 35 to the financial statements, there were no other contracts of significance in relation to the Company’s business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

**DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the year and up to the date of this report, the following Director and former Directors is/were considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as set out below.

Sir Gordon Macwhinnie, Mr. Arthur George Dew and Mr. Lee Seng Huang are also Directors of Sun Hung Kai & Co. Limited which, through its subsidiaries, is partly engaged in the businesses of securities broking, securities trading and the provision of financial, insurance consultancy and other related services.

Sir Gordon Macwhinnie and Mr. Arthur George Dew resigned as Directors of the Company on 31st May, 2000 and 21st June, 2000, respectively.

As the Board of Directors of the Company is independent from the board of the aforesaid company and the above Director and former Directors does not/did not control the Board of the Company, the Group is capable of carrying its businesses independently and at arm's length from the businesses of such company.

**SERVICE CONTRACTS OF DIRECTORS**

None of the Directors of the Company has a service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

**MANAGEMENT CONTRACTS**

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

**DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS**

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Notes 5 and 6 to the financial statements, respectively.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

**MAJOR SUPPLIERS AND CUSTOMERS**

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and that of sales attributable to the Group's five largest customers combined were less than 30 per cent. of the Group's aggregate purchases and sales respectively.

**RETIREMENT BENEFIT SCHEMES**

Details of the retirement benefit schemes of the Group and the employer's retirement benefit costs charged to the consolidated profit and loss account for the year are set out in Note 7 to the financial statements.

**AUDITORS**

The financial statements for the year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

**CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") 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 non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association.

The Company has established an audit committee (the "Committee") in accordance with paragraph 14 of the Code and the members of the Committee are Messrs. Leon Nim Leung Chan and Hugh Moss Gerald Forsgate who are the independent non-executive Directors of the Company. The Committee met regularly during the year.

On behalf of the Board

**John Luen Wai Lee**

*Managing Director*

Hong Kong, 10th April, 2001