



Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2001.

■ PRINCIPAL ACTIVITIES ■

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries, jointly controlled entities and associates are set out in notes 17, 18 and 19 to the financial statements, respectively. During the year, the Group has also engaged in the operations of supermarket chain stores in the PRC.

■ SEGMENT INFORMATION ■

An analysis of the Group's turnover and contribution to results by operating activities and geographical area of operations for the year ended 31st December, 2001 is set out in note 5 to the financial statements.

■ FINANCIAL RESULTS AND DIVIDENDS ■

The Group's net loss from ordinary activities attributable to shareholders for the year ended 31st 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 20 to 69.

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



Report of the Directors (Continued)

SUMMARY OF FINANCIAL INFORMATION

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

	Year ended 31st December,				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover	39,656	7,072	5,081	8,603	12,088
Cost of sales	(26,302)	—	—	—	—
Gross profit	13,354	7,072	5,081	8,603	12,088
Other revenue and gains	1,054	10,340	122	494	261
Selling and distribution costs	(7,772)	—	—	—	—
Administrative expenses	(39,477)	(13,859)	(4,812)	(8,125)	(26,084)
Other operating expenses	(8,870)	(10,875)	(3,522)	(833)	(227,274)
Profit/(Loss) from operating activities	(41,711)	(7,322)	(3,131)	139	(241,009)
Finance costs	(19,166)	(32,523)	(32,358)	(36,398)	(9,912)
Share of profits/(losses) of:					
Jointly controlled entities	80,303	253	9,444	(35,005)	(60,382)
Associates	344	(4,864)	(5,873)	1,310	176
Profit/(Loss) before tax	19,770	(44,456)	(31,918)	(69,954)	(311,127)
Tax	(5,193)	(2,326)	(2,213)	(7,585)	(3,481)
Profit/(Loss) before minority interests	14,577	(46,782)	(34,131)	(77,539)	(314,608)
Minority interests	(18,602)	1,805	(3,188)	5,056	9,540
Net loss from ordinary activities attributable to shareholders	(4,025)	(44,977)	(37,319)	(72,483)	(305,068)



Report of the Directors (Continued)

SUMMARY OF FINANCIAL INFORMATION (Continued)

	31st December,				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Fixed assets	21,782	4,797	143	159	423
Investment properties	80,000	80,000	85,000	89,000	58,109
Properties under development	194,159	191,110	187,950	187,289	187,010
Interests in jointly controlled entities	666,693	681,841	785,543	642,578	675,505
Interests in associates	36,869	31,041	16,654	26,305	39,647
Pledged time deposits	–	–	–	116,637	116,709
Current assets	62,020	114,348	1,675	16,947	14,112
Total assets	1,061,523	1,103,137	1,076,965	1,078,915	1,091,515
Current liabilities	172,603	144,175	147,835	317,225	319,726
Interest-bearing other borrowings	102,358	187,986	–	–	–
Loans from related companies	35,411	15,431	237,397	35,779	–
Deferred income	33,816	55,886	55,886	55,886	25,254
Total liabilities	344,188	403,478	441,118	408,890	344,980
Minority interests	163,310	147,248	125,689	122,833	125,972
Total liabilities and minority interests	507,498	550,726	566,807	531,723	470,952
Net assets	554,025	552,411	510,158	547,192	620,563



Report of the Directors (Continued)

■ FIXED ASSETS AND INVESTMENT PROPERTIES ■

Details of movements in the fixed assets and investment properties of the Company and the Group during the year are set out in notes 14 and 15 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 is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

■ PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY ■

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold 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 29 to the financial statements.

■ DISTRIBUTABLE RESERVES ■

At 31st December, 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$280,266,000 (2000: HK\$315,115,000).

■ MAJOR CUSTOMERS AND SUPPLIERS ■

In the year under review, the turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year. Purchases from the Group's five largest suppliers accounted for 70% of the total purchases for the year and purchases from the largest suppliers included therein amounting to 46%.

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.



Report of the Directors (Continued)

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

Soopakij Chearavanont

Tse Ping

Narong Chearavanont (appointed on 1st February, 2001 and
re-elected on 18th May, 2001)

Supachai Chearavanont

Chatchaval Jiaravanon

Kachorn Chiaravanont

Vichaow Rakphongphairoj (resigned on 1st February, 2001)

Yang Xiaoping

Robert Ping-Hsien Ho

Independent Non-Executive Directors:

Viroj Sangsnit

Chokchai Kotikula

The Independent Non-Executive Directors of the Company are appointed for a term of one year 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.

In accordance with article 116 of the Company's articles of association, Messrs Tse Ping, Chatchaval Jiaravanon and Viroj Sangsnit will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACT

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 CONTRACT

Apart from those transactions detailed in note 34 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, or any of its subsidiaries or fellow subsidiaries was a party at the balance sheet date or at any time during the year.



Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

At 31st December, 2001, 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").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors and senior executives of the Group. The Scheme became effective since 18th March, 1994 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to approximately 10% of the shares of the Company in issue at any time. During the year, no share options were granted and no share options remained outstanding as at the balance sheet date.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of HK\$10.00 as consideration by the grantee. The exercise period of the share options granted is determinable by the Directors, which may commence from the date of grant and end on the date falling within 10 years from the date of grant or 17th March, 2004, whichever is earlier.

The exercise price of the share options is determinable by the Directors, which shall not be less than the higher of (a) an amount equal to 80% of the average of the closing price of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as stated in the Stock Exchange's quotation sheets for the 5 trading days immediately preceding the date of offer; or (b) the nominal amount of one share of the Company, provided that the shares had been traded during each of such 5 days. However, since 1st September, 2001, the Company cannot grant any further options under the Scheme which does not comply with the new requirements pursuant to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").



Report of the Directors (Continued)

■ SUBSTANTIAL SHAREHOLDERS ■

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

	Number of Shares held	Percentage of the Company's share capital
Ramon Limited	3,343,953,189	55.76

Mr. Dhanin Chearavanont has a 50.86% interest in Ramon Limited. Save as disclosed above, no person 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.

■ DIRECTORS' INTEREST IN A COMPETING BUSINESS ■

During the year and up to the date of this report, no Directors are considered to have interests in business which compete or are likely to compete, either directly or indirectly, with the business of the Group, other than those business where the Directors of the Company were appointed as Directors to represent the interests of the Company and/or Group pursuant to the Listing Rules.



Report of the Directors (Continued)

LOANS TO JOINTLY CONTROLLED ENTITIES AND AN ASSOCIATE

As at the balance sheet date, the loans to jointly controlled entities include loans to Shanghai Fortune World Development Co., Ltd and Grandview Enterprise Company Limited of HK\$146,326,000 and HK\$125,879,000, respectively. The loan to an associate represents loan to Hualien Golf Development Limited of HK\$23,686,000. Further details of the loans and the respective percentage of the Group's attributable interests in the jointly controlled entities and the associate are set out in notes 18 and 19 to the financial statements, respectively.

The combined balance sheet of those jointly controlled entities and the associate, disclosed pursuant to Practice Note 19 of the Listing Rules is set out below:

	HK\$'000
Fixed assets	1,981
Long term investment	44,105
Land and properties under development	603,232
Current assets	1,279,648
Current liabilities	(1,119,452)
Long term loans	(252,292)
	<u>557,222</u>
Issued capital	443,756
Reserves	140,202
Accumulated losses	(26,736)
	<u>557,222</u>

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, throughout the accounting period covered by the annual report.



Report of the Directors (Continued)

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing and supervising the Group's financial reporting process and internal controls. The audit committee comprises the two Independent Non-Executive Directors of the Company. 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, 9th April, 2002