

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the year ended 31 December 2000.

REVIEW

The Group has yielded a promising initial result in the year 2000 from its diversification into the information and technology related businesses ("IT" businesses) since late 1999.

The Group recorded turnover of approximately \$63.6 million for the year 2000, a sharp increase as compared to the prior year, of which over 90% was attributable from the IT businesses. This turned the Group's gross operating position from loss to profit. The net loss attributable to shareholders for the year was approximately \$38 million, representing 27% reduction in loss as compared to the preceding financial year.

Our investment in the IT businesses was solely concentrated in the Mainland China for its vast resources of IT talents and the impressive development in the IT market within the PRC. The Group had already concluded fourteen joint ventures by the end of the year 2000. We took controlling stakes in IT companies that possess strong customer bases and high growth potentials. All this, on a combined basis, has made the Group one of the biggest software companies in the PRC, with nation wide market coverage. Major joint ventures are as follows:

Concluded joint ventures

	Stake (%)
Beijing	
Beijing Galaxy Information System Co., Ltd.	70
Beijing JTP Software Technology Co., Ltd.	70
Beijing Centraland Technology Development Co., Ltd.	60
Chongqing	
Chongqing Fortuna Information Technology Co., Ltd.	70
South China Zenith Information Technology Co., Ltd.	60
LCT Ltd.	60
Chongqing Genius Information Technology Co., Ltd.	53
Chongqing Incyber Opt. Info. Sci. & Tech. Co., Ltd.	65

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	Stake (%)
Nanjing	
South China Skytech Co., Ltd.	67
Shanghai	
Shanghai Hitti Information Technology Co., Ltd.	60
Shanghai Zhongteng Information Network Co., Ltd.	60
Shenyang	
Shenyang Shenglian Electronics Science and Technology Ltd.	70
Shenyang Ruixin Information Technology Co., Ltd.	67
Shenyang Leader Information Technology Co., Ltd.	60

The joint venture companies are engaging in development and marketing of industry specific applications software, integration systems as well as providing professional IT services. These include applications software and systems for housing funds and securities houses, taxation software, point-of-sale application, optical character recognition application, virus detection and protection application and many other customer-oriented management information systems. Provision of system integration and various professional IT services cover fiber automatic monitor system, fiber automatic protection system, communication facility network, field programmable gate array, erasable program read only memory, enterprise resources planning, internet and e-commerce solutions. The existing clientele ranges from government bodies, education institutions, airports, railways, telecommunication organizations, securities houses to supermarkets and other medium to large local corporations.

The Group's major property development project in which it holds 30% interest of a Grade "A" commercial/office building at Artbuthnot Road/Wyndham Street in Central district progressed satisfactorily and is due to be completed in mid-2001. Other investment properties continued to generate moderate and stable rental income but the deficit on revaluation adversely affected the result.

During the year, the Group made partial disposals of its equity interest in Fourseas.com ("Fourseas") and recognized a gain of approximately \$31 million. The Group presently holds 44% in Fourseas. Having endeavored to streamline its existing operations and exercise appropriate cost controls, Fourseas' operating loss has been reducing steadily. The share of loss in Fourseas was lowered to approximately \$19 million in the year 2000.

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LIQUIDITY AND FINANCIAL RESOURCES

At the end of the year, the Group had cash balance of approximately HK\$17.9 million. The Group was financed by bank borrowings and an immediate holding company at arm's length basis. As at 31 December 2000, the Group had long-term liabilities amounted to approximately HK\$299.5 million and the aggregate of shareholders' equity and minority interests of approximately HK\$184.8 million, and resulted in gearing ratio of 1.62.

The Group's major investment is in the 30%-held property project in Arbuthnot Road/Wyndham Street in Central, Hong Kong that substantially reflected in the item "Investment in Associates" on the Balance Sheet. The realization of this property project in 2001 will strengthen the cash flow of the Group significantly.

STAFF

The total number of employees of the Group as at 31 December 2000 was about 400. Remuneration packages are normally reviewed by senior management annually with increments compatible to the market. Special increments may be granted when warranted. Apart from salary payment, the Group also provides other staff benefits which include medical subsidies, life insurance, provident fund and subsidised external training programmes. Bonus payments may also be made based on performance of individual staff. Share options may also be granted to certain employees of the Group.

OUTLOOK

The information super highway has changed the lives of people all around the world. Nowadays people are surrounded by information from many different digital formats — text, graph, video, and audio. People are experiencing the new wave of a powerful new technology. Various forms of cyber-communication and information technologies are revolutionizing business, government, entertainment, and education.

The Group has foreseen the potential business opportunities of information technology in China since as early as 1999, and has been aware of the likely development of the information-access revolution as large and as fast as China is experiencing today. We are one of the earliest pioneers to have IT joint venture businesses in China, and are able to contribute not only cash, but also our expertise in helping uplift China's information infrastructure and software applications in a business like way. It is our intention to continue with our strategic move on information and technology businesses where we are making good progress. Our target acquisitions are mainly concentrating on IT enterprises that have very solid businesses such as contracted services or possessing certain key techniques and expertise in their specific area but just lacking capital and necessary strategic marketing for further expansion. This essentially distinguishes our IT businesses from many other pure internet companies.

We are now also engaged in discussion to partner with some of the advance technology companies wholly operated under leading universities in the PRC, e.g. Shanghai Fudan University and Chongqing University.

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Our overall outlook for the joint venture IT companies in the PRC is very positive. Under the direction of the Chinese government policies and the huge market development potential in the PRC, we believe the growth of IT development will be in multiplies per annum in the next few years. The heavy demands for China IT experts in Hong Kong has created an opportunity for the Group to expand software, system integration, and application development businesses locally. We will import a team of professionals from our joint ventures to join our workforce in Hong Kong. The Group will thus enjoy the advantage of possessing a range of proven and reliable IT solutions backed by its professional services such that deployment costs and timeframes are minimized to meet its businesses objectives.

We will select the best performing companies among our joint ventures that are qualified to go for public listing later this year. The Group will assist the joint venture companies to establish and expand their sales channels and customer network in ERP, POS, systems integration, and systems development. For the longer term, we are formulating a marketing strategy to achieve sales targets, increase business growth, explore overseas business opportunities, consolidate our market position to become the strongest IT team in Hong Kong and China, and continue to seek new IT joint venture companies in 2001 and beyond.

The 256,000 sq. ft. commercial/office property at Artbutthnot Road will be completed in mid-2001 and is the only Grade "A" office project to be completed in Central district in the year 2001. The recent pick up in the office property market in Central coupled with the extension of "SOHO" area from Lan Kwai Fong to Hollywood Road, has promoted the popularity and prosperity of the location where our property project is situated. Together with our major partner, we are now planning our marketing scheme to be launched in the second half of 2001.

The current operations of Fourseas are expected to be profitable before finance costs after continuing efforts in market expansion and efficient cost control measures. The recent several interest rate reductions have helped to lesson its financial burden. The overall market sentiment for further downward movement in interest rates will continue to revive its financial position.

Recently, we have been approached by a number of non-related third parties for investment in Fourseas. Various business proposals are now still under consideration and discussion. We do not exclude any possibilities to restructure/reorganize our investment in Fourseas in the very near future. Full details will be duly disclosed to shareholders on their conclusions.

APPRECIATION

On behalf of the Board, I wish to express our gratitude to our customers, business partners and shareholders, for their continued support and all our staff for their hard work and contribution.

By Order of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
24 April 2001