

The Directors wish to set out below the review of the Group's business activities for the year ended 31 December 2000 and the overview of the Company's objectives in the year ahead.

### OPENING BALANCES AND COMPARATIVE FIGURES

The financial statements of the Company for the year ended 31 December 1999 were audited by KPMG whose audit report stated that they were unable to form an opinion on the financial statements due to the possible effect of the limitation of audit information. Hence, the auditors of the Company were unable to express an opinion of the figures brought forward as at 1 January 2000 and the comparative figures included in these financial statements.

### IMPROVEMENTS TO THE MANAGEMENT SYSTEMS

The Company has, in accordance with the proposals set out in the 1999 Annual Report, implemented successfully all the measures formulated to strengthen the management and to improve the internal control system.

### OPERATIONS

The principal activities of the Company is investment holding. The Group continues to diversify into commercially more viable businesses to replace the property development activity as the recovering of the Hong Kong real estate market seems remote. During the year, the Group has successfully identified several suitable investment opportunities. Your company has successfully started its business venture in the People's Republic of China, a focus of the business world in the coming years.

### TURNOVER

During the year, the Company's turnover amounted to HK\$13.7 million (1999: HK\$3.5 million) representing an increase of 291%, which is mainly due to the diversification of business activities of the Group from property development into other business ventures.

### DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31 December 2000 (1999: nil).

### SHARES PLACEMENTS

The Company has successfully completed a number of shares placement and raised about HK\$361 million and the shareholder base of the Company was further broadened. The number of shares in issue as at 31 December 2000 was 28,914,137,000 (1999: 13,916,623,000) an increase of 108%.

## Review of Operations

### AGENCY FEES AND COMMISSIONS

The Group has from time to time retained agents and consultants to assist the Group to source suitable investment projects in Hong Kong and Mainland China. During the year, the Company paid HK\$12,100,000 for the procurement of utility projects in six cities and HK\$16,540,000 being agency commissions for various transactions. These fees and commissions represent a range of 0.52% to 3.25% of the considerations of each transactions.

### INVESTMENTS IN MAINLAND CHINA

During the year, the Company had invested in various projects in Mainland China. These investments consist of a 3-star hotel in Luoyang City of Henan Province, two integrated web portals in Zheng Zhou of Henan Province and Beijing respectively. Together with the investments in Beijing Universal Peace Satellite Applications Co Ltd and Guangxi Heng County Cement Plant, sizeable bulk of investments has been assembled in Mainland China. Upon China joins the WTO, the directors believed that these investments will turn out to be rewarding ones.

### IT INVESTMENTS

The Company's investments in the high technology arena consist of (a) Universal Peace Satellite Applications Co Ltd, (b) the Central Cyberport, (c) the NongNet and (d) Worldwide IP Communications Ltd.

Universal Peace Satellite Applications Co., Ltd provides system integration services employing both internet backbones and satellite networks.

Central Cyberport is an integrated portal web that serve the central and western regions of Mainland China. As of April 2001, this web site have been visited by 110 million surfers.

Nong Net is the leading specialty portal web that serves the agricultural community of Mainland China, a vast commercial sector in an economy with the highest populations.

Worldwide IP Communications Ltd is an operation focused on the voice communications applications on internet protocol.

With expertise in complementary areas, these operations create synergy to enlarge the market share.

## **GAS DISTRIBUTION PROJECTS**

The Company's gas distribution project in Liling City of Hunan Province progressed satisfactorily. About 7.5 km of pipeline has been installed and last mile connection works to households and factories will soon commence.

The Company has also procured similar projects in six cities in Shangdong province.

## **INVESTMENTS SECURITISATION PROGRAMME**

The Company is looking for opportunity to securitise its investments when market condition permits. The directors are examining the feasibility of spinning off the gas distribution project in Hunan Province.

## **GROUP PROPERTIES**

The rationalisation of the Group's property holdings continues to perform well. The Group has disposed of certain redevelopment sites which brought no revenue to the Group but interest outgoings. Certain under performed investment properties were also disposed of during the year. The Group properties portfolio have been reclassified in accordance with the business strategy of the Group.

## **INVESTMENT PROPERTIES**

During the year, the Company had acquired certain investment properties and a 3-stars hotel in Luoyang City of Henan Province. The Company had sold the service apartment in Chancery Lane.

## **ASSET REALISATION PROGRAMME**

In response to the depressing Hong Kong properties market, the Company had disposed of and will continue to unload under performed assets and heavy interest bearing properties to raise funds for other commercially viable investments.

## **SUSTAINABLE DEVELOPMENT**

The Group continues to adhere to the prudent accounting policies that guide the Company through these difficult years. The Company will continue to look into various fund raising options to ensure a sustainable development of the Group.