

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

## Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## Segmental information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and by geographical area of operations for the year ended 31 December 2000 is as follows:

### By principal activity

	Contribution to profit from operating activities		Contribution to profit from operating activities	
	Turnover 2000 HK\$'000	2000 HK\$'000	Turnover 1999 HK\$'000	1999 HK\$'000
Property holding	10,882	12,633	1,897	(957)
Securities brokerage	9,046	1,747	5,490	749
Investment activities	14,529	3,759	4,912	95
Provision of loan finance	1,049	418	2,230	937
Provision of IT training and software development services	3,924	(5,027)	1,979	516
	<b>39,430</b>	<b>13,530</b>	<b>16,508</b>	<b>1,340</b>

### By geographical area

	Contribution to profit from operating activities		Contribution to profit from operating activities	
	Turnover 2000 HK\$'000	2000 HK\$'000	Turnover 1999 HK\$'000	1999 HK\$'000
The People's Republic of China				
Hong Kong	25,482	4,925	13,512	716
Mainland China	1,339	3,495	1,017	108
Singapore	3,643	(4,100)	1,979	516
Malaysia	8,966	9,210	-	-
	<b>39,430</b>	<b>13,530</b>	<b>16,508</b>	<b>1,340</b>

## Results and dividends

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 15 to 51.

No interim dividend was declared for the year ended 31 December 2000.

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 December 2000.

## 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 12 and 13 to the financial statements respectively.

## Subsidiaries

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

## Bank loans and other borrowings

Details of bank loans and other borrowings of the Group at 31 December 2000 are set out in notes 26, 27 and 28 to the financial statements.

## Share capital and warrants

Details of movements in the Company's share capital and warrants during the year, together with reasons therefor, are set out in note 30 to the financial statements.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

## Directors

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

### Executive Directors

Kong Look Sen *(Chairman and Managing Director)*

Soo Lee Eng *(resigned on 17 August 2000)*

Kong Li Jer

Kong Li Szu

### Independent Non-Executive Directors

Ku Suen Fai

Fai Cheong Hau

In accordance with articles 1(G), 77 and 81 to 84 of the Company's Articles of Association, Mr. Ku Suen Fai will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

## Emoluments of directors and the five highest paid individuals

Details of the directors' emoluments and those of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements respectively.

## 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.

## Directors' interests in shares and warrants

At the balance sheet date, the interests of the directors and their associates in the share capital and warrants of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Nature of interest	No. of ordinary shares of HK\$0.10 each	Warrants HK\$
Kong Look Sen	Corporate (1), (3)	409,752,571	43,064,168
Kong Li Jer	Corporate (1), (3)	409,752,571	43,064,168
Kong Li Szu	Corporate (2), (3)	206,449,000	43,064,168

*Notes:*

- (1) The interests in 409,752,571 shares comprise of 206,449,000 shares, being held by Kong Fa Holding Limited ("Kong Fa"), and 203,303,571 shares, being held by Kong Sun Enterprise Sdn. Bhd. ("KSE"), respectively, of which Messrs. Kong Look Sen and Kong Li Jer are directors and shareholders of Kong Fa and KSE.
- (2) The interests in 206,449,000 shares being held by Kong Fa, of which Mr. Kong Li Szu is a director and shareholder.
- (3) The interests in HK\$43,064,168 warrants held by Kong Fa, of which Messrs. Kong Look Sen, Kong Li Jer and Kong Li Szu are directors and shareholders.

Apart from the above, none of the other directors or their associates had any beneficial interest in the securities of the Company or its associated corporations as defined in the SDI Ordinance.

## Substantial shareholders

At 31 December 2000, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders were interested in 10% or more of the issued share capital of the Company:

Name	Number of ordinary shares held	Percentage of issued share capital
Kong Fa	206,449,000	35.11%
KSE	203,303,571	34.58%

Save as disclosed above, no person, other than a director of the Company, whose interests are set out in the section "Directors' interests in shares and warrants" above, 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' interests in contracts

Save as disclosed in note 35 to the financial statements, no director had a beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

## Connected transactions

During the year, a wholly-owned subsidiary of the Company made loans to Intwell Technology (S) Pte Limited, a 50% owned subsidiary, with the balance outstanding at the balance sheet date of HK\$2,586,718 (1999: Nil). The loans are unsecured, interest-free and have no fixed terms of repayment. In addition, the Group had related party transactions, as further detailed in note 35 to the financial statements, which also constituted connected transactions under the Listing Rules.

In the opinion of the directors, the connected transactions were conducted in the normal course of business and the Company has complied with the relevant requirements under Chapter 14 of the Listing Rules.

## Directors' rights to acquire shares

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouses 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.

Details of the directors' interests in the Company's warrants are set out in the section "Directors' interests in shares and warrants".

## Purchase, redemption or sale 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.

## Distributable reserves

As at 31 December 2000, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$47,496,000. In addition, the Company's share premium account, in the amount of HK\$57,536,000, may be distributed in the form of fully paid bonus shares.

## Charitable contributions

During the year, the Group made charitable contributions totalling HK\$26,507.

## Liquidity and financial resources

As at 31 December 2000, the Group had total assets of HK\$310,983,000 which were financed by current liabilities of HK\$21,524,000, long term finance lease payables of HK\$113,000, long term bank loans and other loan of HK\$42,129,000, deferred tax of HK\$706,000, minority interests of HK\$57,261,000 and shareholders' equity of HK\$189,250,000. The Group's working capital ratio at the balance sheet date was approximately 1.47:1. The directors believe that the Group has a healthy working capital ratio.

As at 31 December 2000, the Group had aggregate composite banking facilities from banks of HK\$22 million, of which HK\$20 million had been utilised, and cash and bank balances of HK\$17 million.

The Group had contracted for capital commitments of approximately HK\$5.9 million as at the balance sheet date. The directors are considering various funding plans to finance the commitments.

## Major customers and suppliers

In the year under review, the turnover derived from the largest and five largest customers accounted for 9% and 15%, respectively, of the total turnover for the year. The Group had no major suppliers requiring disclosure.

None of the directors of the Company or any of their associates or any shareholder (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.

## Summary financial information

A summary of the published results and of the 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 on page 52. This summary is not part of the audited financial statements.

## Properties

Particulars of the properties of the Group at the balance sheet date are set out on page 53.

## Employees and employment policies

As at 31 December 2000, the Group employed 69 staff. The Group employs and remunerates its staff based on their performance and experience. In addition to basic salary payments, staff members are covered by the Group's health and medical scheme. Training courses are provided as and when required.

## Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

## Code of best practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year covered by the annual report except that the audit committee was established from 12 June 2000 and accordingly was not established for the whole of the accounting period. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Article of the Company's Articles of Association.

## Provident fund

The Group operates mandatory provident fund schemes for its employees. The assets of the schemes are held and managed by independent professional fund managers.

## Auditors

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Kong Look Sen**

*Chairman and Managing Director*

Hong Kong

12 April 2001