

# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of the Company, I have pleasure to report on the operation and other aspects of the Group for the year ended 31 December 2000.

## Financial Results

Turnover of the Group for the year ended 31 December 2000 was HK\$2,442,429,000 representing approximately a 300% increase as compared to that of the year 1999. Net profit from ordinary activities attributable to shareholders rose approximately 412% to HK\$1,332,818,000 which included the gain on realisation of long term investments of HK\$2,870,891,000. Basic earnings per share for the year ended 31 December 2000 was 14.35 HK cents, a rise of approximately 402% as compared to that of the year 1999.

## Dividends

The Directors recommend the payment of a final dividend of 0.5 HK cents per share (1999: Nil) to shareholders whose names appear on the Register of Members of the Company on 1 June 2001. Dividend warrants will be sent to shareholders on 28 June 2001.

## Closure of Registers of Members and of Warrantholders

The Registers of Members and of Warrantholders will be closed from Tuesday, 29 May 2001 to Friday, 1 June 2001, both days inclusive, during which no share and warrant transfer will be effected.

## Review of Operations

Performance of the Group's mobile handset distribution business was satisfactory during the year under review, with turnover increased by approximately 7% to HK\$236,346,000 as compared to that of the year 1999. Despite keen competition of the mobile handset distribution business in the Hong Kong market, Star Telecom Limited ("Star Telecom"), the Company's wholly-owned subsidiary, managed to secure more distribution rights of popular and trendy brands during the second half of the year 2000 and is now one of the leading distributors owning a number of handset brand distributorships, some of which even on an exclusive basis and covering the vast China market.



- As one of the leading distributors of mobile phones and telecom-related products, Star Telecom is dedicated to bringing more choices to customers.

The year 2000 was a year of consolidation for the Group's intelligent building system integration operation in the People's Republic of China (the "PRC") with revenue amounted to HK\$10,063,000. The Group's strategic investment in the distribution network of mobile handsets and accessories in the major cities of the PRC achieved a steady growth in revenue.

Pursuant to approval given by the shareholders in the special general meeting of the Company on 11 March 2000 to realise the Group's long term investment in the shares of Pacific Century CyberWorks Limited ("PCC Shares"), the Group has realised a total of 190,500,000 PCC Shares during the year under review.

The turnover of trading and investment in financial instruments of the Group during the fiscal year 2000 amounted to HK\$2,196,020,000. The stock market turmoil experienced in the US market and the Hong Kong market which started from the third quarter of the year 2000 and straddled into the year 2001, has affected the Group's investment performance in these areas and offset part of the gain realised from long term investments.

The Group's 21.7% associated company, Millennium Group Limited ("MGL") reported a loss attributable to shareholders of HK\$8,649,000 for the six months ended 30 September 2000 as its information technology projects are still in their start-up stage. During the six months ended 30 September 2000, MGL's 35% associated company, Jilian (Jilin) Petrochemicals Limited recorded an operating profit before tax of HK\$15.9 million of which MGL's share was HK\$5.6 million as compared to a loss of HK\$0.7 million for the corresponding period.

Up to the year end date, the Group has acquired on market for long term purpose an aggregate of 224,385,000 shares of Sun Hung Kai & Co. Limited ("SHK & Co") and 71,848,000 shares of Takson Holdings Limited ("THL"), representing approximately 19.3% and 19.2% in the issued share capital of SHK & Co and THL respectively. In light of the recent and forthcoming business and stock market environments, the Group has carried out an annual review of its long term investment portfolio and made provisions for decline in value of certain of its long term investments which the board of the Directors considered other than temporary.

### Liquidity and Financing

The open offer of 1,856,688,098 units of the Company's warrants at an issue price of HK\$0.05 per warrant on the basis of one warrant for every five existing shares of the Company held on 15 May 2000 was completed on 2 June 2000 from which proceeds of approximately HK\$93 million before expense was raised. Each warrant will carry the right to subscribe for a new share of the Company at an initial subscription price of HK\$0.30 per share, subject to adjustment, exercisable during the period from 7 June 2000 to 6 June 2003 (both days inclusive).

The Group's non-current assets comprised mainly of investment properties of HK\$15 million, property, plant and equipment of HK\$41 million, interests in associates of HK\$65 million, long term investments of HK\$340 million. These non-current assets were principally financed by shareholders' funds. As at the year end date, the Group has a net current assets of HK\$1,570 million.

All of the Group's borrowings are arranged on short term basis, repayable within 1 year and secured by marketable securities. As at the year end date, the Group's borrowings amounted to HK\$265,519,000 representing an increase of HK\$264,822,000 over last year.

The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's net borrowings (after deducting cash and bank balances) over shareholders' funds, at approximately 11% (1999: nil) at the year end date.

The Group has little foreign exchange exposure and the Group's borrowings were all denominated in Hong Kong Dollars.

### **Pledge of Assets**

At the balance sheet date, certain assets of the Group with aggregate carrying value of HK\$1,425,212,000 (1999: HK\$24,796,000) were pledged to secure general loan facilities.

### **Prospects**

Although the mobile handset distribution business is operating in a highly competitive market, the Group is cautiously optimistic to conclude further distribution rights with other top brands in the year to come. To capture the full opportunities arising from the dynamic and converging telecom market, Star Telecom seeks to expand its business from distributing mobile handsets to a wider range of telecommunication products including PDA, smartphone, DECT (Digital Enhanced Cordless Telecommunication) phone, wireless & digital peripherals and telecom accessories.

Being one of the few foreign-owned licensees authorized to provide integration services for intelligent buildings in the PRC, Shanghai Tricom Telecom Equipment Co., Ltd. ("Shanghai Tricom"), the subsidiary of the Company, has contracted several new projects of intelligent building system integration in certain major cities in the PRC in the first few months of year 2001. It is expected that increasing computerization in private and public sectors of the PRC will foster strong internet and e-infrastructure growth which offers more business opportunities for Shanghai Tricom to capture.

The ups and downs of economic conditions and investment climate in Hong Kong and overseas, especially in the US, definitely created certain uncertainties as to the financial performance of the Group for the new financial year. The Group holds cautious view in the coming year and has started to rationalize its investment portfolio and will continue to retain a substantial pool of liquid assets with low gearing to meet any future challenges and opportunities.

### **Employees**

The Group, including its subsidiaries but excluding its associates, employed approximately 83 (1999: 110) employees at the year end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$13,232,000 (1999: HK\$35,087,000) for the year. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

### **Appreciation**

A great deal of works have to be done in the current fiscal year and on behalf of all shareholders and I extend our grateful thanks, in advance, to both our management and staff for their loyalty, hard work and dedication.

**Law Wing Kit, Stephen**

*Chairman*

Hong Kong, 24 April 2001