

REPORT OF THE DIRECTORS

The directors 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.

The principal activities of the Group were changed during the year by the addition of the trading of digital broadcasting equipment and related products, and retail and distribution of home audio and video equipment.

During the year, the Group has discontinued its businesses of the manufacture and distribution of telecommunication and video-media products, the trading of computer monitors and related products, further details of which are included in note 9 to the financial statements. The principal activities of the Company's principal subsidiaries are set out in note 17 to the financial statements.

REPORT OF THE DIRECTORS

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activities and principal market for the year ended 31 December 2000 is as follows:

By activities:

	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Continuing operations:				
Trading of digital broadcasting equipment and related products	27,936	—	(174,272)	—
Retail and distribution of home audio and video equipment	28,459	—	(4,641)	—
Provision of international financial market information and selective consumer data services	15,779	16,722	(4,020)	(335)
Sale of electronic payment and collection systems	16,971	15,726	1,030	(1,119)
Others	608	3	(298,033)	8,409
	89,753	32,451	(479,936)	6,955
Discontinued operations:				
Manufacture and distribution of telecommunication and video-media products	29,522	421,475	(79,383)	118,237
Trading of computer monitors and related products	—	273,800	—	(126,428)
	29,522	695,275	(79,383)	(8,191)
	119,275	727,726	(559,319)	(1,236)

REPORT OF THE DIRECTORS

SEGMENTAL INFORMATION (continued)

By geographical area:

	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Continuing operations:				
Hong Kong Special Administrative Region ("HKSAR")	27,376	22,245	(388,742)	(1,333)
Other part of the People's Republic of China ("PRC")	58,044	—	(91,651)	8,409
Other parts of Asia	4,333	10,206	457	(121)
	89,753	32,451	(479,936)	6,955
Discontinued operations:				
HKSAR	4,145	99,560	2,284	343,695
PRC	7,692	75,309	(73,976)	(24,467)
United States of America	11,359	469,621	(7,525)	(230,165)
Europe	6,326	48,713	(166)	(6,581)
Other parts of Asia	—	2,072	—	(90,673)
	29,522	695,275	(79,383)	(8,191)
	119,275	727,726	(559,319)	(1,236)

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2000 and the state of affairs of the Company and of the Group as at that date are set out in the accompanying financial statements on pages 31 to 82.

The directors do not recommend the payment of any dividend in respect of the year (1999: Nil).

REPORT OF THE DIRECTORS

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/restated as appropriate, is set out below:

Results

	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)	(Restated)
Turnover					
Continuing operations	89,753	32,451	21,121	22,870	16,101
Discontinued operations	29,522	695,275	747,659	766,171	651,711
	119,275	727,726	768,780	789,041	667,812
Profit/(loss) before tax	(585,056)	(8,809)	(122,448)	8,179	(75,627)
Tax	645	1,164	—	(2,980)	(1,919)
Profit/(loss) before minority interests	(584,411)	(7,645)	(122,448)	5,199	(77,546)
Minority interests	91,542	78,204	2,292	—	3,111
Net profit/(loss) attributable to shareholders	<u>(492,869)</u>	<u>70,559</u>	<u>(120,156)</u>	<u>5,199</u>	<u>(74,435)</u>

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION (continued)

Assets and liabilities

	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)	(Restated)
Fixed assets	43,213	69,597	165,885	335,559	251,948
Interests in a jointly- controlled entity and an associate	6,735	13,972	—	—	17,489
Other long-term assets	195,058	238,452	132,213	140,147	132,482
Current assets	361,957	742,901	549,884	278,751	328,373
Total assets	606,963	1,064,922	847,982	754,457	730,292
Current liabilities	95,869	238,586	465,418	266,487	273,659
Long-term liabilities	45,119	756	220	17,080	155,470
Total liabilities	140,988	239,342	465,638	283,567	429,129
Minority interests	111,030	206,679	33,243	—	1,200
Net assets	354,945	618,901	349,101	470,890	299,963

The net profit/(loss) attributable to shareholders for each of the three years ended 31 December 1998 and the net assets as at the respective balance sheet dates have been restated as a result of the change in the accounting policy for pre-operating expenses in the prior years. The restatement has retrospective effect to conform with the requirements of the Statement of Standard Accounting Practice ("SSAP") 2 "Net Profit or Loss For the Period, Fundamental Errors and Changes in Accounting Policies".

REPORT OF THE DIRECTORS

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 17 to the financial statements.

ASSOCIATE AND JOINTLY-CONTROLLED ENTITY

Particulars of the Group's interests in an associate and a jointly-controlled entity are set out in notes 18 and 19 to the financial statements, respectively.

BORROWINGS

Details of the Group's borrowings as at 31 December 2000 are set out in notes 30 to 32 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND SHARE PREMIUM

Details of movements in the Company's share capital, share options and share premium during the year, together with reasons therefore, are set out in notes 33 and 34 to the financial statements.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements.

DISTRIBUTABLE RESERVES

The Company had no reserves available for distribution to shareholders of the Company as at 31 December 2000, as computed under the provisions of Section 79B of the Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 39% of the Group's aggregate turnover for the year and sales to the largest customer included therein amounted to approximately 12%.

Purchases from the Group's five largest suppliers accounted for approximately 43% of the Group's aggregate purchases for the year and purchases from the largest supplier included therein amounted to approximately 14%.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which, to the knowledge of the directors, owned more than 5% of the Company's share capital had any beneficial interests in the Group's five largest customers and/or five largest suppliers mentioned in the preceding paragraph.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors and the five highest paid employees are set out in notes 7 and 8 to the financial statements, respectively.



REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:

Mr. Ko Chun Shun, Johnson

Mr. Lui Pan, Terry

Mr. Wu Zheng, Bruno (resigned on 31 August 2000)

Ms. Patty Chang (resigned on 10 July 2000)

Non-executive director:

Mr. Cheong Chow Yin (appointed on 10 July 2000)

Independent non-executive directors:

Mr. Wilton Timothy Carr Ingram

Dr. Wong Yau Kar, David (appointed on 28 December 2000)

Professor Derek Roebuck (resigned on 8 June 2000)

In accordance with article 77 of the Company's articles of association, Mr. Ko Chun Shun, Johnson retires by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with article 73 of the Company's articles of association, Messrs. Cheong Chow Yin and Wong Yau Kar, David retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES

At 31 December 2000, the interests of the directors, the chief executive and their associates in the share capital of the Company and its associated corporations as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(A) The Company

Names	Note	Number of ordinary shares of HK\$0.18 each and nature of interests			
		Personal interests	Family interests	Corporate interests	Other interests
Mr. Ko Chun Shun, Johnson ("Mr. Ko")	(i)	18,640,000	—	1,000,437,150	—

(B) DVN (Holdings) Limited ("DVN") (Formerly known as DVB (Holdings) Limited)

Names	Note	Number of ordinary shares of HK\$1.50 each and nature of interests			
		Personal interests	Family interests	Corporate interests	Other interests
Mr. Ko	(ii)	—	—	138,052,940	—
Mr. Lui Pan, Terry ("Mr. Lui")		198,000	—	—	—

Name	Note	Number of convertible preference shares of HK\$1.50 each and nature of interest			
		Personal interests	Family interests	Corporate interests	Other interests
Mr. Ko	(iii)	—	2,000,000	—	—



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES (continued)

(C) DVN (Group) Limited, a wholly-owned subsidiary of DVN

Name	Note	Number of exchangeable preference shares of US\$1 each			
		Personal interests	Family interests	Corporate interests	Other interests
Mr. Ko	(iv)	—	—	15,000,000	—

Notes:

- (i) Kwan Wing Holdings Limited ("Kwan Wing") and Techral Holdings Limited ("Techral"), a subsidiary of Kwan Wing, beneficially owned 360,399,000 and 640,038,150 ordinary shares in the Company, respectively. Mr. Ko has 100% direct interest in Kwan Wing and approximately 96% beneficial interest in Techral.
- (ii) 103,603,418 ordinary shares of DVN are held by Prime Pacific International Limited, which is owned as to 67% by Gold Pagoda Incorporated, a wholly-owned subsidiary of the Company which in turn is controlled by Mr. Ko and as to 33% by Prime Gold International Limited in which Mr. Ko has a 82.45% beneficial interest. 31,032,522 shares of DVN are held by the Company. Kwan Wing and Peninsula Resources Limited, companies wholly-owned by Mr. Ko, also own 1,817,000 and 1,600,000 shares of DVN, respectively.
- (iii) These convertible preference shares of DVN are held by Ms. Cheung Yat Kwan, the spouse of Mr. Ko.
- (iv) These non-voting cumulative exchangeable preference shares are held by Million Way Enterprises Limited, a wholly-owned subsidiary of the Company. These preference shares are exchangeable to approximately 24,218,750 ordinary shares of DVN.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, at 31 December 2000, none of the directors, the chief executive or their associates had any personal, family, corporate or other interests in any securities of the Company, its holding company or any of its associated corporations which were recorded in the Register as defined in the SDI Ordinance.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to a share option scheme adopted on 4 August 1999, the board of directors of the Company may grant options to eligible employees of the Group, including executive directors, to subscribe for ordinary shares in the Company. Further details of the share option scheme are set out in note 33 to the financial statements.

The Company has granted options of the Company's and its subsidiaries' ordinary shares in favour of certain directors, the details of which are as follows:

(A) The Company

Name of director	Number of share options at 1 January 2000	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options outstanding at end of year	Exercise period of share options	Exercise price of share options HK\$
Mr. Ko	18,000,000	—	—	—	18,000,000	1-1-00 to 31-12-02	0.26
Mr. Lui	9,000,000	25,000,000	—	—	34,000,000	1-1-00 to 06-03-03	0.26 - 0.31
Mr. Bruno Wu	15,000,000	—	—	—	15,000,000	1-1-00 to 31-12-02	0.26
Ms. Patty Chang	9,000,000	—	—	—	9,000,000	1-1-00 to 31-12-02	0.26
	<u>51,000,000</u>	<u>25,000,000</u>	<u>—</u>	<u>—</u>	<u>76,000,000</u>		

The share option of the Company held by Mr. Bruno Wu and Ms. Patty Chang remained outstanding at 31 December 2000 following their resignation as directors of the Company on 31 August 2000 and 10 July 2000, respectively.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

(B) DVN

Name of director	Number of share options at 1 January 2000	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options outstanding at end of year	Exercise period of share options	Exercise price of share options
Mr. Ko	2,450,000	—	—	—	2,450,000	1-1-00 to 31-12-02	2.25
Mr. Lui	3,000,000	2,500,000	250,000	—	5,250,000	1-1-00 to 06-03-03	2.25 - 9.89
Mr. Bruno Wu	2,450,000	—	—	—	2,450,000	1-1-00 to 31-12-02	2.25
Ms. Patty Chang	2,000,000	—	350,000	1,650,000	—	1-1-00 to 31-12-02	2.25
	<u>9,900,000</u>	<u>2,500,000</u>	<u>600,000</u>	<u>1,650,000</u>	<u>10,150,000</u>		

HK\$

Apart from the foregoing, at no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Company's directors, or their respective spouse, 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.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, save as disclosed in "Directors' Interests in Shares" above, no other person had registered an interest of 10% or more in the issued share capital of the Company that would be required to be recorded under Section 16(1) of the SDI Ordinance.

REPORT OF THE DIRECTORS

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 CONTRACTS

Saved as disclosed in note 3 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Name	Age	Position held	Number of years of service	Business experience
Executive directors				
Mr. Ko Chun Shun, Johnson	49	Chairman	7	International trading, direct investment and financial services
Mr. Lui Pan, Terry	46	Executive Director	2	Engineering and marketing
Mr. Wu Zheng, Bruno (Resigned on 31 August 2000)	35	Vice Chairman and Executive Director	2	Media, investment banking and strategic planning
Ms. Patty Chang (Resigned on 10 July 2000)	44	Managing Director	1	Strategic planning, manufacturing and marketing

REPORT OF THE DIRECTORS

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

(continued)

Name	Age	Position held	Number of years of service	Business experience
Non-executive directors				
Mr. Cheong Chow Yin (Appointed on 10 July 2000)	45	Director	1	Manufacturing
Independent non-executive directors				
Mr. Wilton Timothy Carr Ingram	53	Director	5	Investment, brokerage and direct investment
Professor Derek Roebuck (Resigned on 8 June 2000)	66	Director	6	Solicitor
Dr. Wong Yau Kar David (Appointed on 28 December 2000)	43	Director	1	Manufacturing, international trade and corporate finance
Senior management				
Ms. Susanna Chiu	40	Chief Operating Officer of DVN (Holdings) Limited	1	Information technology, media and operations management
Mr. Samuel Lui	46	Managing Director of Telequote Data International Limited	6	Brokerage, direct investment and financial services

REPORT OF THE DIRECTORS

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

(continued)

Name	Age	Position held	Number of years of service	Business experience
Senior management (continued)				
Mr. William Tong	40	Managing Director of Webway Communications Holdings Inc.	1	Banking, investment management and communication services
Mr. Wong Siu Kang	49	Managing Director of Smart Asia Limited	1	Telecommunication, manufacturing and international trade
Mr. Zhang Bin	35	Managing Director of Beijing Jiya Telecommunication Engineering Co. Limited	6	Telecommunication services, engineering and management
Mr. Dominic Yuen	41	Group Financial Controller	2	Finance and accounting
Mr. Cecil Ho	40	Company Secretary	7	Finance and accounting

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions of the Group are set out in note 3 to the financial statements.



REPORT OF THE DIRECTORS

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.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") in 1999 in accordance with paragraph 14 of the Code of Best Practice. The Audit Committee comprises the Company's independent non-executive directors. The Committee has reviewed and discussed with management the audit report and other relevant matters.

COMPLIANCE WITH THE 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 Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report.

Independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation at annual general meetings in accordance with the Company's articles of association.

REPORT OF THE DIRECTORS

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 40 to the financial statements.

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

Johnson Ko

Chairman

Hong Kong

25 April 2001

