

### **To The Shareholder**

I am pleased to present the annual results for the year ended 31 December 2000. In February 2000, the Group completed its financial restructuring and was active in reorganising its businesses and seek opportunities, particularly in the high technology sector of the People's Republic of China (the "PRC") market.

### **OPERATING RESULTS**

For the year under review, the Group recorded a loss attributable to shareholders of HK\$58,816,000 (1999:HK\$93,418,000) and turnover of HK\$83,831,000 (1999:HK\$158,344,000).

The directors do not recommend a dividend for the year.

The improved results were mainly attributable to the efforts of the management to improve the productivity and efficiency of the manufacturing business by rationalising costs and only focusing on products with a reasonable margin. Additionally, the Group's improved financial position following the issue of new shares to Tees Corporation and the subsequent placement of shares to the public in February 2000 has helped to boost the confidence of our customers and suppliers of the Group. As the Group's major investment in the Internet business should begin to show results during 2001, the financial results for the year under review primarily reflects the performance of the manufacturing businesses.

### **BUSINESS RESTRUCTURING AND THE DIRECTION OF NEW DEVELOPMENT**

To capture the huge market potential in the high technology market, the Group is committed to streamline its manufacturing business and other non-profit making investments. Leveraging on the flourishing economic growth in the PRC, the Group has allocated more resources to developing its high-technology business, in particular, Internet-related businesses in the PRC's most prosperous cities such as Beijing, Guangzhou, Shanghai and Shenzhen.

Realising this new strategy, in March 2000, the Group formed a 50-50 Joint Venture (the "JV") with China Infohighway Communications Co. Ltd. ("IHW") to provide and manage Internet-related services in Hong Kong and the PRC. The JV developed the Children Portal which was successfully launched in June 2000.

## **CHAIRMAN'S STATEMENT**

The Group also co-operated with Beijing Infohighway Information and Technology Ltd. ("BIHW") and Beijing Tsinghua University, School of Economic Research and Management to develop China Standard Enterprise Portal, which provides a means to evaluate the credit standing of businesses to facilitate commercial activity. The portal saw its soft launch in December 2000 and received an encouraging response. This co-operation will strengthen the Group's competitive edge in the development of high technology business as well as widen its income sources.

Another major step in the Group's new business development was the acquisition of BIHW. In August 2000, the Group, through its wholly-owned subsidiary — Outshine Technology Limited ("Outshine"), indirectly acquired 18% of the attributable shares in BIHW. In December 2000, eForce announced its further investment in BIHW. Following completion, Outshine will hold a 90% indirectly interest in BIHW. BIHW possesses strong expertise and technical know-how in the network infrastructure and consultancy services for Internet service provider ("ISP"), Internet content provider ("ICP"), application service provider ("ASP") and especially Intelligent Buildings ("iBuildings") projects in the PRC. We believe BIHW will act as our pioneer in the development of high technology, especially in iBuildings projects in the PRC.

### **RIGHTS ISSUE & CAPITAL REORGANISATION**

In February 2000, the Group improved and enhanced its liquidity and financial capability by issuing New Shares to Tees Corporation and a subsequent placement of shares to the public. In December 2000, the Group completed a rights issue of 19 right shares for every New Share of HK\$0.05 each in the share capital of the Company at HK\$1.05 per rights share, raising net proceeds of approximately HK\$1,110 million.

In December 2000, the Group completed capital reorganisation and changed the nominal value of the consolidated shares by way of capital reduction and share sub-division; this allows flexibility in pricing for any issue of New Shares in the future.

### **FUTURE DEVELOPMENT**

The PRC market has thrived in the past few decades and the commercial sector is still endeavouring to meet international benchmarks in every aspect of its operations. Commercial iBuildings have become concrete evidence of the PRC's development and drive to embrace high technology in line with its counterparts around the world.

The Group will continue to restructure and reposition itself as one of the leading high-technology service providers, especially for iBuildings in the PRC. With vision and foresight, the Group is seizing this tremendous market opportunity to acquire the lion's share of this new business.

The milestone of our iBuildings project was the formation of strategic alliances with several operating companies of Beijing Telecom in February 2001, which lays the foundation for the development and consolidation of our iBuildings business in the PRC. The Group is aiming to provide broadband Internet access services for 150 mid to high-end commercial buildings and hotels in the PRC, and in Beijing in particular, by the end of 2001. We believe that our professional services and specialised skills together with the experience and expertise of Beijing Telecom will ensure success in this project and our market share in iBuildings will be considerably enhanced. Based on a similar business model, we will extend our iBuildings business to other major PRC cities including Shanghai, Guangzhou and Shenzhen in the latter part of 2001. We are confident that we will achieve satisfactory returns by focusing on the development of the iBuildings business in the PRC.

On behalf of the Board, I would like to take this opportunity to thank our management team and staff. Their commitment, along with the support from shareholders, has been crucial to the success of the Group, especially when it is experiencing a vital transformation. However, I truly believe that they will soon share the fruits of a thriving company.

On behalf of the Board  
**Leung Chung Shan**  
*Chairman and Executive Director*

Hong Kong, April 23, 2001