

## Chairman's Statement

On behalf of the board of directors, I would like to present to you the 2000 Annual Report.

### Results

The Group posted net loss attributable to shareholders of HK\$23 million in 2000 (1999: net loss of HK\$236 million). Despite showing net profit of HK\$24 million for the first six months in the interim report earlier, the results for the entire year were affected by the provision for impairment in value for the technology related investments and the provision for guaranteed indebtedness of an associate as a result of impairment in value of its carpark assets.

### Dividend

The directors do not recommend the payment of any dividend for the year ended 31 December 2000 (1999: Nil).

### Business Review and Prospects

Prices of plastic resins started on a firm note in year 2000 due to strong demand and high oil price. Phenomenal growth in sales and operating profits were recorded for our trading businesses in the first half of the year. Commencing September, however, there was sharp price correction for plastic resins because of emergence of new production capacity, over stock situation in the market and the beginning of economic downturn in USA. Sales slowed down accordingly and profit margin also declined. In addition to the change in market environment, the Group's subsidiary, Jacobson van den Berg (Hong Kong) Limited ("Jacobson"), discontinued the agency arrangement with a major supplier of plastic resins in early 2000 (as revealed in the annual report for 1999). Although the supply of similar products was replaced by two other major European manufacturers, the transition for rebuilding the supplier relationships took longer time than expected. Furthermore, Jacobson also terminated some unprofitable product lines in welding equipment and materials as well as irrigation systems for horticulture and golf courses. The inventories were disposed at discount and provisions for stock obsolescence were made. As a result, business volume of the trading of industrial products run by Jacobson and DMT International (Hong Kong) Limited ("DMT") showed basically no growth for the entire year and operating profit showed decrease from the previous year.

Newly added to our trading operations is Chinney Alliance Engineering Limited ("Chinney Alliance Engineering"), which was acquired from the Swire Group at the end of October 2000 for a consideration of approximately HK\$27 million. Chinney Alliance Engineering is primarily engaged in the agencies and distribution of a wide range of industrial equipment and products including building materials (tiles, sanitary fittings, ironmongery, thermal insulation, metal ceilings, flooring systems), gondola for maintenance of outer walls of building, cable and earthing equipment, power systems, air-conditioning systems, electric motors and compressors, electronic equipment for aviation and marine industries,

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X-ray scanners, heavy equipment for civil works. Based in Hong Kong, Chinney Alliance Engineering has representative offices in Guangzhou, Shanghai and Beijing for coordinating sales to the China market. It is well positioned for business growth in the coming year as the China market further opens up.

The business environment for internet content provider changed abruptly in the third quarter of 2000. Following correction in the worldwide stock markets especially for technology businesses, internet content providers were not only affected by severe downward adjustment of valuation but more seriously and practically unavailability of further funding. Without adequate revenue stream and further funding, many internet companies suddenly faced immediate survival challenge. OneAsia.com (Holdings) Limited ("OneAsia") stopped operation in late 2000. Earlier in the year under review, the Group converted part of its shareholding in OneAsia into approximately 4.8 million shares of tom.com limited, which were all disposed at substantial profits of approximately HK\$29 million. However, the remaining shareholding in OneAsia plus shareholder advance totalling approximately HK\$19 million have been substantially provided for loss in the year (HK\$8 million has already been reflected in the results for the first half of 2000). The Group also made approximately HK\$7 million loss provision for a listed investment in internet business acquired at cost of HK\$11 million.

In April 2000, the Group acquired 82,840,000 shares of Shun Cheong Holdings Limited ("Shun Cheong") (approximately 21.4% of the then entire issued capital) and 35,520,000 shares of Management Investment & Technology (Holdings) Limited ("MIT") (approximately 20% of the then entire issued capital) from the Group's substantial shareholder, Chinney Investments, Limited for a total consideration of approximately HK\$112 million. The acquisition was disclosed in the circular to the shareholders dated 3 April 2000 and the annual report for 1999. Subsequent to the acquisition of the 82.8 million shares, the Group purchased additional 14.2 million shares of Shun Cheong in the open market increasing the shareholding to approximately 97 million shares or 25% of the entire issued capital. Shun Cheong recorded net profit attributable to shareholders of HK\$6 million for the six months ended 30 September 2000. Subsequent to our acquisition of the 35.5 million shares, MIT was taken control by Founder Holdings Limited ("Founder") and other parties acting in concert including Yahoo!. MIT acquired 100% interest in Founder Data Corporation International Limited, a company engaged in providing internet advertising agency service, business-to-business platform to media industry and e-commerce solutions and development from Founder Electronics (HK) Limited and others by issuance of 439.6 million new shares at HK\$1 per share, and 100% interest in Datacom Developments Limited (which owns 19.9% interest in Beijing AdTargeting Inc., a company engaged in design and production of internet advertisement and using Yahoo!'s portal to broadcast internet advertisement) by issuance of 93.2 million new shares at HK\$1 per share. The abovementioned issuance of new shares and other share placements have diluted our shareholding to approximately 4% of the entire issued capital of MIT (please see joint announcement by Founder and MIT dated 24 May 2000). Subsequently, MIT was renamed to EC-Founder (Holdings) Company Limited ("EC-Founder"). The Group believes that EC-Founder has good prospect of business development given the strong background of its substantial shareholders in internet services and considers it good for long term investment.

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Although affected by the change in market environment, the trading operations continued to be profitable. It was also a year of business realignment and rationalization with the aim to further trim costs and at the same time improve operational efficiency. Internal reorganization was all completed by the end of 2000. Jacobson and DMT are again on a growth path. The new addition to the trading operations, Chinney Alliance Engineering, is expected to show improvement in performance as overheads have been lowered and businesses in the local and China market continue to develop. Under the present market condition, the investments in Shun Cheong and EC-Founder may not have profit contribution to the Group in the near future. However, their prospects are considered good in the longer run.

Again, I would like to take the opportunity to express my appreciation to the management, whose dedication and hard work are instrumental in revitalizing the Company. I would also like to thank our shareholders and business associates for their continuing confidence and support, and the directors who have retired for their invaluable contribution and dedication to the Company during the period of their office.

By Order of the Board  
**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 19 April 2001