

## CHAIRMAN'S STATEMENT

I am pleased to report to you as your Chairman and on behalf of your new Board of Directors for the first time. The year 2000 was a year of transition for the Company. New management was brought in to refocus the Company's business direction, which resulted in the disposal of our retailing businesses as well as a reduction in investment property portfolio. Given the background of our new major shareholders - Warburg Pincus, with its deep expertise in venture capital investments; and Silver Grant International Industries Ltd., with its network of relationships in China, the Board decided to transform the Company into an investment company for high-growth, technology-enabled businesses in China.

### BUSINESS REVIEW

Since the introduction of the new shareholders, the Group received HK\$360,000,000 of new capital in cash for development. Six investments were made using a combination of cash and issuance of new shares. The details of these investments are outlined below:

#### **eGoChina.com Limited**

The Group acquired a 52.33% stake in eGoChina.com Limited, a company providing management services and technical consultancy to a corporate online travel service business in China. eGoChina's partners include the China Construction Bank, China Travel Services, Anderson Consulting and Hewlett-Packard. Although only open for business since mid-2000, eGoChina has signed up over 20 major multinational customers and provides online air ticketing and hotel reservation to them.

#### **Xinhua Control Engineering Company Limited**

The Group acquired from Warburg Pincus an effective 41% interest in Xinhua Control, a manufacturer and systems integrator of large scale digital control systems for industries such as electric power, water supply, etc. Xinhua Control is based in Shanghai and has been established for more than 10 years. The company has experienced high growth in the past couple of years, and has a solid profit track record. Xinhua's management is exploring possibilities of a public listing of its shares.

#### **IBR Inc.**

IBR Inc. is a data center operator and Internet infrastructure related service provider based in South Korea. Shareholders include well-known Korean and Japanese entities. The Group's 22.4% interest in IBR was acquired from Warburg Pincus.

#### **Great Choices International Limited**

Great Choices is the holding company which holds an equity interest in a certificate authority and Internet security provider joint venture in China. The joint venture is an affiliate of VeriSign of the U.S.A, a worldwide leader in Certificate Authority and Internet security services. The 15.29% stake in Great Choices was acquired from the Chief Executive Officer when he joined the Group in September 2000.

#### **9x09.com**

9x09.com is a technology service provider in China serving the online transaction platform for B2B transactions in the wine and liquor trade. With the support of the leading system integration providers including Hewlett-Packard and SAP, 9x09.com has established China's first online trading platform for hotels, bars, restaurants and other consumers to purchase alcoholic beverages in an efficient and cost-effective manner.

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### **Shanghai Mecox Lane Holdings Co. Ltd.**

Mecox Lane is a direct marketing company which sells an array of fashion apparels and general merchandise through catalogue mail orders and online orders. The Group invested cash for a 13.25% stake in Mecox Lane in mid-2000.

Financial markets worldwide suffered dramatic declines in 2000, leading to significant valuation adjustments and liquidity crisis for a large number of start-up and emerging companies. The sharp reduction in internet company valuations has caused the Group to make provisions to the cost of investment in Mecox Lane. However, management believes that most of its investee companies have sound business models and have sufficient cash on hand to reach breakeven in the near future.

### **BUSINESS PROSPECTS**

Despite a slow-down in global economy, we believe that China will continue its high rate of growth, particularly in technology and telecommunications related sectors, which are the two focus areas for the Group. With a strong balance sheet and two experienced investment firms as its major shareholders, the Group is in an excellent position to benefit from the advancement of technology and telecommunication sectors in China.

As a concrete example, the Group signed an agreement in April 2001 to acquire the entire interest in Digital Tech Co., a wholly owned foreign entity in China which provides technical services to Beijing Guanghuan Xinwang, a broadband internet access and internet data center provider under the Beijing Telecom Administration Bureau. The investment cost approximately HK\$49,000,000 in cash which includes an option to buy up to 49% of Beijing Guanghuan Xinwang as and when laws in the PRC allow. Beijing Guanghuan Xinwang is one of the first and largest providers of broadband Internet access to corporate and residential customers in Beijing. It has been solidly profitable since inception.

With the disposal of under-performing businesses, the infusion of capital in 2000 and a slew of new investments, the Group has positioned itself well to explore opportunities to create above average shareholders' returns in the long run.

### **APPRECIATION**

On behalf of the Board, I would like to thank you for your support in the past and, more importantly, for your continued support in the forthcoming year.

By Order of the Board  
**Sun Qiang Chang**  
Chairman

Hong Kong, April 20, 2001