

## Directors' Report

The directors of the Company have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2000.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 14 to the financial statements.

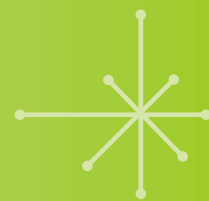
### CHANGE OF COMPANY'S NAME

Pursuant to a special resolution passed at the Annual General Meeting held on May 31, 2000 and with the approval of the Registrar of Companies in Bermuda, the Company's name was changed from "China Prosperity Holdings (Hong Kong) Limited" to "Prosper eVision Limited". "盈盛數碼世紀有限公司" was adopted as the Company's Chinese name for identification purpose.

### SEGMENTED INFORMATION

The Group's turnover by activities and by geographical areas and their respective contribution to the Group's loss from ordinary activities before taxation for the year ended December 31, 2000 are set out as follows:

	Turnover <i>HK\$'000</i>	Contribution <i>HK\$'000</i>
By activities:		
Construction contracts	58,416	(48,397)
Sale of television programs	25,510	(1,217)
Money lending	–	(11,086)
	<hr/> 83,926	<hr/> (60,700)
Gain on disposal of a subsidiary		26,954
Shares of results of associates		(6,950)
Shares of results of a joint venture		(59)
Finance costs		(1,280)
		<hr/> (42,035)
By geographical areas:		
Hong Kong	51,443	(46,369)
People's Republic of China	6,973	6,414
Taiwan	25,510	(2,080)
	<hr/> 83,926	<hr/> (42,035)



## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2000 are set out on pages 20-21 of the financial statements.

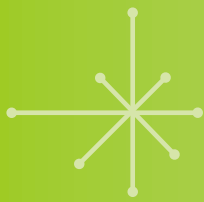
The directors do not recommend the payment of a dividend, and recommend that the accumulated loss of HK\$148,693,000 as at December 31, 2000 be carried forward.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group is set out below.

Results	Year ended December 31,				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Turnover	83,926	85,364	288,050	510,707	509,922
Operating (loss) profit after finance costs	(61,980)	(141,210)	(74,990)	92,367	78,272
Gain on disposal of a subsidiary	26,954	–	–	–	–
Share of results of associates	(6,950)	(57)	106	–	(31)
Share of result of a joint venture	(59)	–	–	–	–
(Loss) Profit before taxation	(42,035)	(141,267)	(74,884)	92,367	78,241
Taxation	(225)	1,259	(1,339)	(13,986)	(9,500)
(Loss) Profit from ordinary activities	(42,260)	(140,008)	(76,223)	78,381	68,741
Minority interest	–	1,419	–	–	–
(Loss) Profit attributable to shareholders	(42,260)	(138,589)	(76,223)	78,381	68,741
Assets and Liabilities	As at December 31,				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Total assets	475,708	511,458	468,177	547,925	341,044
Total liabilities	(95,233)	(284,880)	(182,566)	(207,887)	(215,916)
Minority interest	380,475	226,578	285,611	340,038	125,128
Shareholders' equity	–	(2,507)	(10,670)	–	–
Shareholders' equity	380,475	224,071	274,941	340,038	125,128

The Company was incorporated on March 24, 1997 in Bermuda. The results of the Group for the year ended December 31, 1996 and the balance sheet as at December 31, 1996 have been prepared on a combined basis as if the Group, which was established as a result of the corporate reorganization scheme completed in June 1997, had been in existence throughout the year ended December 31, 1996.



### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year are set out in Note 9 to the financial statements.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at December 31, 2000 are set out in Note 14 to the financial statements.

### DONATIONS

Donations made by the Group during the year amounted to approximately HK\$48,000 (1999: HK\$153,000).

### CONVERTIBLE LOAN NOTES

Particulars of the Company's convertible loan notes are set out in Note 21 to the financial statements.

### BORROWINGS

Analyses of the Group's bank loans and finance lease liabilities by their repayment periods are set out in Notes 18 and 19 to the financial statements.

No interest was capitalised by the Group during the year.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options, are set out in Note 23 to the financial statements.

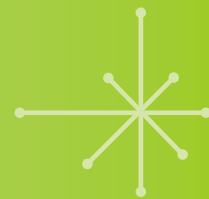
### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the Laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### RESERVES

Movements in the reserves of the Company and the Group during the year are set out in Note 24 to the financial statements.

As at December 31, 2000, the Company's reserves available for cash distribution and/or distribution in specie computed in accordance with the Companies Act 1981 of Bermuda (as amended) consisted of contributed surplus amounting to approximately HK\$127,536,000 (1999: HK\$127,536,000). In addition, the Company's share premium account may be distributed in the form of fully paid bonus shares.



## DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

*Executive directors:*

Mr. Wang Hai Sheng	(appointed on February 3, 2000)
Mr. Cheung Doi Shu	(appointed on November 21, 2000)
Mr. Yu Won Kong, Dennis	(appointed on October 11, 2000)
Mr. Zhang Daxiang	
Mr. Lee Kam Man	
Mr. Tang Yau Sing	(resigned on October 10, 2000)

*Non-executive director:*

Mr. Colin Clive Hiles

*Independent non-executive directors:*

Mr. Tong Chor Yin, Augustine  
Mr. Ho Yiu Ming

In accordance with Clause 99 of the Company's Bye-Laws, Mr. Lee Kam Man and Mr. Colin Clive Hiles retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

In accordance with Clause 102 (B) of the Company's Bye-Laws, Messrs. Cheung Doi Shu and Yu Won Kong, Dennis, being appointed by the Board during the year and eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

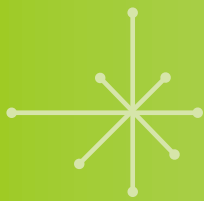
Mr. Wang Hai Sheng was re-appointed as director at the last Annual General Meeting.

## 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 of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS

No director had a material beneficial interest, whether directly or indirectly, in any contracts of significance to which the Company or any of its subsidiaries was a party subsisting at the end of the year or during the year.



### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY OR DEBT SECURITIES

As at December 31, 2000, the interests of the directors and chief executive in the equity or debt securities of the Company and its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance) (the "SDI Ordinance") as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) **Company**

Name of director	Type of interests	Number of shares held
Mr. Zhang Daxiang	Corporate ( <i>Note</i> )	250,448,000

*Note:* The shares were held through Best Fortune Capital Ltd. in which Mr. Zhang Daxiang is the sole director and sole shareholder.

(b) **Associated corporation**

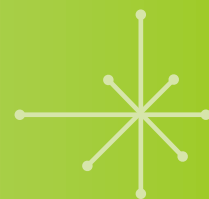
Details of the interests of the Company's directors in China Convergent Corporation Limited ("China Convergent"), an intermediate holding company of the Company, whose shares are listed on the Australian Stock Exchange, NASDAQ National Market in the United States of America and Frankfurt Stock Exchange as at December 31, 2000 were as follows:

Name of director	Type of interests	Number of shares held
Mr. Zhang Daxiang	Corporate ( <i>Note 1</i> )	1,858,713,540
Mr. Colin Clive Hiles	Corporate ( <i>Note 2</i> )	3,600

*Note 1:* The shares were held through Best Fortune Capital Ltd. ("Best Fortune") in which Mr. Zhang Daxiang is the sole director and sole shareholder. By virtue of Mr. Zhang's control in Best Fortune, he is deemed under the SDI Ordinance to be interested in the 1,858,713,540 shares of China Convergent.

*Note 2:* The 3,600 shares were held through Orient Pty Ltd, a trustee of Colin Hiles Superfund. Mr. Colin Clive Hiles was a beneficiary of Colin Hiles Superfund.

Save as disclosed above, as at December 31, 2000, none of the directors or chief executive had any interests in the equity or debt securities of the Company or of any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance or to the Model Code (including interests which they are deemed or taken to have under Section 31 or Part 1 of the Schedule to that Ordinance) or which are required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein.



**DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES**

Particulars of the Company's share option scheme adopted on June 11, 1997 are set out in Note 23 to the financial statements.

None of the directors or the chief executive or their associates had any right to subscribe for equity or debt securities of the Company as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code.

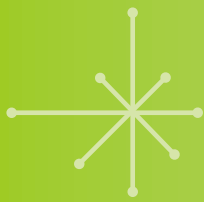
Certain of the directors of the Company receive share options from the intermediate holding company, China Convergent Corporation Limited (formerly known as China Broadband Corporation Limited and, before that, China Prosperity International Holdings Limited), pursuant to the share option scheme of the intermediate holding company, which is designed to reward the executives for their performance. These share options do not enable the relevant directors to acquire any benefit from the Company by means of the acquisition of shares in or debentures of the Company, and do not have any commercial, financial or operational impact on the Company.

Pursuant to the share option scheme, share options of the intermediate holding company were granted to the following directors of the Company:

Name of director	Date of grant	Exercise price (A\$)	Number of options			Period during which the share options are exercisable
			Granted during the year	Exercised during the year	Outstanding at December 31, 2000	
Mr. Tang Yau Sing	June 1, 2000	0.475	3,500,000	1,000,000	2,500,000	June 1, 2000 to February 22, 2001
Mr. Zhang Daxiang	June 1, 2000	0.475	1,500,000	-	1,500,000	June 1, 2000 to August 17, 2004
Mr. Wang Hai Sheng	June 1, 2000	0.475	200,000	-	200,000	June 1, 2000 to August 17, 2004
Mr. Colin Clive Hiles	June 1, 2000	0.475	500,000	-	500,000	June 1, 2000 to August 17, 2004
Mr. Cheung Doi Shu	November 20, 2000	0.381	2,000,000	-	2,000,000	November 20, 2000 to August 17, 2004
			7,700,000	1,000,000	6,700,000	

Save as disclosed above,

- (i) none of the directors or the chief executive or their associates had any right to subscribe for equity or debt securities of the Company, or had exercised any such right during the year; and
- (ii) at no time during the year was the Company, its subsidiaries, fellow subsidiary companies or holding company a party to any arrangements to enable the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of, the Company or any other body corporate.



### SUBSTANTIAL SHAREHOLDERS

As at December 31, 2000, the following interest of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares held	As a percentage of the issued share capital of the Company
Best Fortune Capital Ltd. ( <i>Note 1</i> )	250,448,000	34.98%
China Convergent Corporation Limited ("China Convergent") ( <i>Note 2</i> )	237,848,000	33.22%
Gold Chief Investment Ltd. ("Gold Chief") ( <i>Note 2</i> )	237,848,000	33.22%

*Note:*

1. Best Fortune Capital Ltd. holding 51.26% interest is the controlling shareholder of China Convergent. The interests of Best Fortune Capital Ltd. in the Company are held through China Convergent and Gold Chief. In addition, Best Fortune Capital Ltd. also holds in its own name 1.76% interest of the Company. Mr. Zhang Daxiang is the sole director and sole shareholder of Best Fortune Capital Ltd.
2. By virtue of the SDI Ordinance, China Convergent holding 100% interest in Gold Chief is deemed to be interested in the 237,848,000 shares held by Gold Chief.

### CONNECTED TRANSACTION

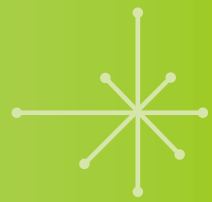
During the year, the Company received HK\$862,000 (1999: HK\$1,083,000) from China Convergent Corporation Limited, an intermediate holding company, for general administrative services and office space, facilities and utilities provided to it. Particulars of the agreements for these services are set out in Note 30 to the financial statements.

### MAJOR SUPPLIERS AND CUSTOMERS

During the year under review, sales to the largest customer and the five largest customers accounted for 25% (1999: 22%) and 70% (1999: 48%) of the Group's total sales respectively for the year.

Purchases from the largest supplier and the five largest suppliers accounted for less than 9% (1999: 3%) and 35% (1999: 14%) of the Group's total purchases respectively for the year.

As far as the directors are aware, neither the directors, their associates, nor those shareholders who to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customers and suppliers.



### **PURCHASE, REDEMPTION OR SALE OF LISTED SHARES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year ended December 31, 2000.

### **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 on The Stock Exchange of Hong Kong Limited save that non-executive directors have not been appointed for a specific term but are subject to retirement by rotation at the Annual General Meeting of the Company in accordance with the Bye-Laws of the Company.

### **AUDIT COMMITTEE**

The Company has established an audit committee comprising two independent non-executive directors, Mr. Ho Yiu Ming and Mr. Tong Chor Yin, Augustine.

### **AUDITORS**

The Company's former auditors resigned during the year and the directors appointed Arthur Andersen & Co to fill the casual vacancy.

The financial statements have been audited by Arthur Andersen & Co. A resolution for their reappointment as auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**Wang Hai Sheng**

*Chairman*

Hong Kong, April 20, 2001