

## Management Discussion and Analysis

### KEY FINANCIAL DATA

	2000 HK\$'000	Change	1999 HK\$'000
Turnover	1,066,019	(17%)	1,283,521
Impairment Loss on Investment			
Securities and Provision for Bad Debt	681,437	212%	218,605
Loss from operations	878,553	281%	230,884
Finance Costs	135,155	(25%)	181,172
Net loss for the year	1,017,429	165%	383,963

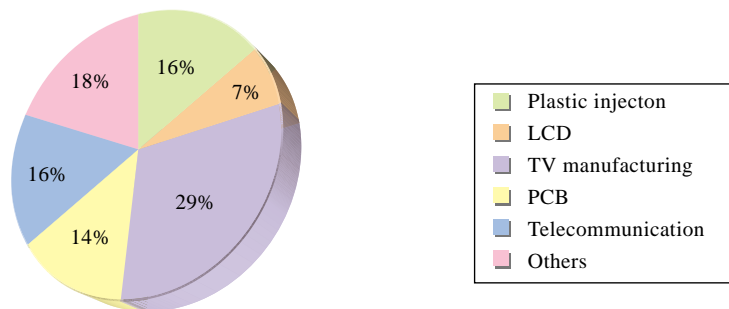
### BUSINESS ANALYSIS

#### I. High-Tech Enterprises

Due to the adverse impacts from the global oil price hiking and the increasing market competition in color TV business in Mainland China, the businesses of telecommunications and color TV manufacturing has considerable loss during the year of 2000, whereas the other Group's high-tech enterprises, such as PCB, plastic injection and OEM electronic products, had recorded remarkable results. In the financial year of 2000, the overall turnover of the high-tech enterprises was HK\$923,941,000, representing a post-provision loss of HK\$147,824,000.

The turnover of the high-tech enterprises accounted for 86.67% of the total turnover of the Group, and their turnover distribution is as follows:

#### TURNOVER



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### **II. Network-Based Information Technology**

The Group's operation of the three major business segments-the data transmission, the data platform and the data broadcast-in the JS-CASIL Network has been in progress as scheduled. In addition, the DVB-C System and the set-top box have been successfully marketed in the City of Changzhou in Mainland China, and the Group has been already benefited from its exemplary effect in promoting the system to other cities for further network-based data transmission business and value-added broadband services.

### **FINANCIAL ANALYSIS**

#### **I. Provisions**

In order to consolidate its business foundation for long-term development, the Group made a prudent and resolute decision for necessary provisions for its investments, inventories and the trade receivables in the financial year of 2000.

#### **II. Assets and Liabilities**

In the financial year of 2000, the Group repaid the residue principal of the US\$55,000,000 syndicate loan and redeemed the remaining notes of the US\$150,000,000 Floating Rate Notes, which significantly lowered the gearing ratio of the Group. The Group's finance costs for the financial year of 2000 totaled HK\$135,155,000, representing a 25% decrease compared with the total of HK\$181,172,000 during the financial year of 1999. The assets/liabilities ratio, calculated from the Group's total liabilities divided by net tangible assets, lowered from 55% in 1999 to 52% in 2000.

By the end of 31 December 2000, the Group still had liabilities of about HK\$2,323,527,000, of which the residual principal, of US\$28,000,000, of a syndicate loan is to be repaid by the mid of December 2001. The repayment will be satisfied by the Group's internal financial resources and banking facilities.

The Group will continue to clear off non-core businesses and assets in order to pool up resources on its core businesses. Meanwhile, the Group will continue to carry on the second-phase construction in its Huizhou Industrial Park in Mainland China to upgrade the productivity of its high-tech enterprises.

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### **III. Cash Flow**

The Group is financed mainly by the internal financial resources of its own as well as supplemented by banking facilities. The currencies of the Group's cash on hand and its bank loans at market interest rate are dominated in HK and US dollars. The Group encounters little risk in exchange rate under the peg rate in Hong Kong and there is not necessary to engage any financial instrument or derivatives to hedge the interest rate risk.

The Group will continue to control its costs and expenditures with strict financial management system. Also the Group will use its best efforts to collect its receivables and clear out its inventories.

### **IV. Major Financial Activities**

In January 2000, the Group's subsidiary, CASIL Telecommunications Holdings Limited ("CASTEL"), issued debentures of US\$6,000,000, which were converted and redeemed in August of the same year.

The Company made a placement of approximately 357 million new shares in February, 2000 with net proceeds of approximately HK\$632 million. Over HK\$100 million was used for capital expenditure of the development of broadband media data transmission digital video broadcasting services and related projects while over HK\$200 million was used for general working capital of the Group. Due to a change of policy in the PRC, the placing proceeds had not been completely allocated to the planned projects and the remaining proceeds were deposited with banks for further use.

In March 2000, the Group made a placement of the shares of CASTEL at HK\$1.55 per share through placing and top-up transaction. As at 31 December 2000, the Group still had a 51.37% shareholding of CASTEL.

### **V. Mortgaged Assets**

A couple of the Group's real estates have been mortgaged to banks for installment loans. As at 31 December 2000, there was a total mortgage loan of HK\$240 million.

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### **HUMAN RESOURCES**

The Group has always regarded human resources as one of its most important assets. Therefore, continuing trainings have been arranged for the staff to improve their professional quality. The Group both encourages and subsidizes its staff to enrol in professional training courses and seminars, as well as jointly holds training classes and lectures with certain academic institutions for its staff, so that they can benefit from the latest professional knowledge and market information.

The Group will devote constant efforts to update its internal management system for human resources so as to improve human resources management, enhance quality assessment and strengthen internal supervision. Meanwhile, the Group will actively initiate more effective inspiring mechanisms for its staff, such as stock option plan.

The Group now has a total staff of around 4,700 in Mainland China and in Hong Kong respectively.

By Order of the Board

**Lu Xiaochun**

*Chairman*

Hong Kong, 23 April 2001