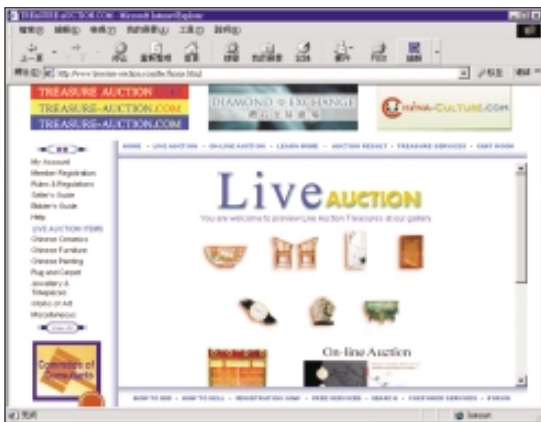
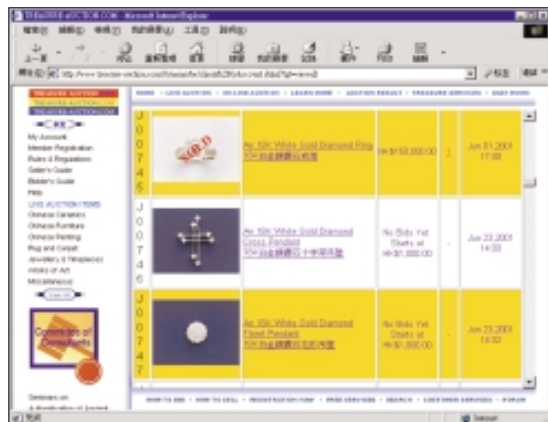


October 2000, iPRO had joined Nokia as its strategic business partner. iPRO is one of the authorized reseller for Nokia's products including router appliance, wireless LAN and WAP server. This business partnership enables iPRO to expand service offering in wireless and WAP as well as m-commerce areas from consultancy, application development to system integration. A review of iPRO's business strategy is underway in order to realign its development roadmap.

During the year, Treasure Auctioneer International Limited ("Treasure Auctioneer"), the company owned as to 25% by the Group, conducted a total of 25 online auctions and live auctions through its gallery in Central and its portal *www.treasure-auction.com*, with over 2,580 lots sold for about HK\$36.4 million.



*www.treasure-auction.com*



*Live Auction*



*Online Auction*



*Diamond Exchange*

Apart from providing auction services, Treasure Auctioneer also added consignment and sales services to customers through its new features known as Diamond Exchange and Marketplace. Diamond Exchange was introduced to Treasure Auctioneer's website which include displaying information of diamonds for consignment sale together with the related certificates. Marketplace allows physical consigned retail sale with a prominent display area for jewellery and watches in Treasure Auctioneer's gallery. Treasure Auctioneer plans to establish its foothold in the PRC, and will identify renowned auction houses in major cities in the PRC as business partners.

The Group has 85% interests in a joint venture company with Chinese Literature Fund. The joint venture company operates a portal, [www.chinaculture.com.cn](http://www.chinaculture.com.cn), which focuses on Chinese arts and culture. Apart from providing comprehensive information on Chinese literatures, arts and cultural knowledge, the portal also engaged in literatures publication and organized fee-based cultural related activities.



[www.chinaculture.com.cn](http://www.chinaculture.com.cn)



[www.chinaschool.org](http://www.chinaschool.org)

The Group has 48% interests in a joint venture company with a wholly-owned subsidiary of Fujian Province Education Commission. The joint venture company operates an educational portal, [www.chinaschool.org](http://www.chinaschool.org), which continues to expand its readers' coverage. The focus of the portal is to create an online community for primary and secondary students in the PRC and during the year, the portal added new channels including student alumni, work exchange centre, Olympic computer competition, national discovery, and technology. At present, the portal has about 5,000 participating schools and over 31,000 registered members, with daily average page views of about 60,000 times.

### 3. MANUFACTURING DIVISION

#### (a) *Yuen Sang Hardware Company (1988) Limited ("Yuen Sang")*

Yuen Sang is principally engaged in the manufacture and sale of watch components. Yuen Sang's manufacturing premises, having an aggregate gross floor area of about 122,000 sq. ft., are principally located in Huizhou, the PRC. Currently, Yuen Sang employs about 870 staff and workers. The performance of Yuen Sang was affected by the keen competition and fierce price cutting in the market, thereby resulting in lower gross margins. During the year under review, turnover of Yuen Sang recorded a slight decrease. In view of the softening and the continuous pressure on margins, Yuen Sang will maintain higher operating efficiency and closely monitor operating costs.



*Yuen Sang Building, Danshui, Huiyang, Huizhou, Guangdong*



*Products of Yuen Sang*

#### (b) *Midas Printing Group Limited ("Midas") - [www.midasprinting.com](http://www.midasprinting.com)*

The Group owns about 16% of the issued share capital and is the single largest shareholder of Midas, which is a company listed on The Stock Exchange of Hong Kong Limited. Midas is principally engaged in book printing, commercial printing, magazine printing and packaging printing and has about 1,600 staff and workers by the end of 2000. Midas' manufacturing premises, having an aggregate gross floor area of about 910,000 sq. ft., are principally located in Dongguan and Huizhou, the PRC. For the year ended 31st December, 2000, Midas reported a turnover of about HK\$663.3 million, representing an increase of about 40% over the last corresponding year, and profit attributable to shareholders amounted to about HK\$27.6 million, representing an increase of about 9% over last year.



*Books printed by Midas*



*Manufacturing premises of Midas in Chang An, Dongguan, Guangdong*



*Manufacturing premises of Midas in Yuanzhou, Bolou, Huizhou, Guangdong*

## FINANCIAL POSITIONS

As at 31st March, 2001, bank balances, cash and other investments of the Group amounted to HK\$295.3 million (2000: HK\$321.8 million). Bank and other borrowings of the Group as at the same date amounted to HK\$285.0 million (2000: HK\$286.0 million). The calculation of debt to equity ratio (expressed as a percentage of bank and other borrowings net of bank balances, cash and other investments over total net assets of the Group) was not applicable.

Approximately 84% of the Group's bank balances, cash and other investments were in Hong Kong dollar or United States dollar with the balance 16% in Renminbi.

All of the Group's bank and other borrowings were in Hong Kong dollar. Approximately 1.7% (2000: 1.1%) of the Group's bank and other borrowings was repayable within one year, 7.8% (2000: 6.6%) repayable in the second to fifth years and the balance of 90.5% (2000: 92.3%) repayable over five years.

Subsequent to the balance sheet date, to further strengthen the Group's financial position, the Company issued 170 million new shares at HK\$0.27 per share to raise a net proceeds of approximately HK\$45 million. The net proceeds have been used for general working capital purposes.

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**NET ASSET VALUE**

As at 31st March, 2001, total net assets of the Group amounted to HK\$1,759.5 million, equivalent to HK\$2.06 per share.

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**PROSPECTS**

The year ahead will be full of challenges as well as opportunities for the Group, with the Group's focus on Hong Kong and the PRC, in the property, information technology and manufacturing sectors.

In the past year, the PRC government has been placing considerable efforts in maintaining the momentum of economy. A GDP growth of 8% in 2000 was achieved. The property industry, which accounts for a significant percentage of GDP growth, also benefited in various ways. The continuing active measures adopted by the PRC government to reform the property market, improving credit and mortgage arrangements of the banking system, as well as encouraging property investment activities by individual flat owners, have led to increases in demand for properties. In view of the anticipated continued economic growth of the PRC and its entry to the World Trade Organisation, the Group is optimistic that the recent improvement trend occurring in the property markets in the PRC will further continue.

As the Hong Kong's economy has become more integrated with that of the PRC, custom simplification and infrastructure improvement are expected to reduce traveling time between Hong Kong and the PRC, in particular the Pearl River Delta. The directors believe that outlook of the property market in the Guangdong province, where majority of the Group's land banks are located, will show steady improvement over time.

The slowdown of the economy of the United States will affect the global economies, and the technology and Internet sectors are expected to undergo major consolidation after a period of significant and rapid expansion. The Internet industry in Asia remains at an early stage of its development and although growth is expected in the longer term, the sector is likely to experience a number of consolidation before it gains the scale required. The downturn in the global economy, among other factors, may further delay the development of the Internet industry in Asia. The market conditions and operating environment for Internet plays continue to be challenging. Despite the early stage in the development of e-commerce, especially in the region, the Group is encouraged by the high level of utilization of the Internet and mobile devices as the medium of communication, which bodes well for commerce to be conducted online. The Group is therefore actively exploring opportunities to enhance its profit-generating capability.

The Group's manufacturing investments are principally engaged in the manufacture and sale of watches and watch components as well as book printing, commercial printing, magazine printing and packaging printing. The Group plans to expand its manufacturing operations through organic growth, combining technology with traditional businesses, and seeking for acquisition opportunities.

China's approaching entry into the World Trade Organisation and the associated liberalization of trade is expected to provide significant business opportunities for the Group. The Group remains confident about its long-term growth prospects. With the strength of the balance sheet and our strong cash reserve, the Group will be well poised to fund the ongoing needs of the business and at the same time to take advantage of opportunities that come along.

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## STAFF

The Group has its offices in Hong Kong and has its representatives and associates in Chengdu, Dongguan, Huizhou and Guangzhou, the PRC.

As at 31st March, 2001, the Group employed 161 staff. In addition, the subcontracting factories of the Group have about 850 workers. The Group also provides its staff with other benefits including year-end double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

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## APPRECIATION

Finally, on behalf of the board, I would like to thank my fellow directors and our dedicated staff for their hard work and contribution during the year.

**Dr. Hwang Jen**

*Chairman*

Hong Kong, 13th July, 2001