

discover **東一**
CHINA 工作室



• "Myths & logic of Shaolin Kung Fu" •

• "Last Serfs of the Yangtse" •

• "Chinese Toy Stories" •

Documentaries

Other Investments

In recognition of the impeded arrival of convergence as a result of ongoing Internet market consolidation in the region, the Group has prudently slowed down the development of its multimedia production centre situated at Yuen Long Industrial Estate. Nevertheless, the Group will resume the development pace as and when the industry reveals sign of recuperation.

In December 2000, the Group acquired 35% interest in Sing Pao Daily News, a well-established newspaper in Hong Kong with over 60 years' history. The Group believes that such investment will compliment its cross-media strategy as well as create beneficial synergy in terms of entertainment content diversification.

During the year, the Group used its best endeavour to dispose of its non-core assets and consequently reduced the Group's finance costs significantly by approximately 64%. In November 2000, the Group disposed of its entire investment in the energy saving machine business to an independent party for a total consideration of approximately HK\$105 million.

MAJOR EVENTS SUBSEQUENT

Subsequent to 31st March, 2001, the following significant changes took place:

- (a) The Company entered into a conditional placing agreement for the placement of 205,000,000 new ordinary shares at a price of HK\$0.14 per share to independent investors on 23rd April, 2001 and raised approximately HK\$27 million net of expenses as a result.
- (b) On 18th May, 2001, a wholly-owned subsidiary of the Company and a wholly-owned subsidiary of China Strategic Holdings Limited ("China Strategic") entered into a conditional agreement with an independent third party for the disposal of their interest in a joint venture company, which was owned as to 35% by the Company and as to 65% by China Strategic, at a consideration of HK\$206 million. The sole asset of the joint venture company, upon completion of such disposal, was its holding of an approximate 60% interest in Sing Pao Media Group Limited ("Sing Pao Media"). One of the conditions precedent to the completion of such disposal was the acquisition of the media interests from Sing Pao Media by a joint venture company which is owned as to 35% by the Company and as to 65% by China Strategic at a consideration of HK\$110 million. The media interests comprise printing and publishing business of Sing Pao Daily News, books and magazine publishing and an Internet portal specializing mainly in news and information in the People's Republic of China. Both the disposal and acquisition were completed on 9th July, 2001.

- (c) On 8th June, 2001, the Company entered into a conditional placing agreement for the placement of 383,000,000 new ordinary shares at a price of HK\$0.185 per share to independent investors. The Company also entered into a conditional subscription agreement with ITC Corporation Limited ("ITC"), a substantial shareholder of the Company, for the subscription of 67,000,000 new ordinary shares of the Company by ITC at a price of HK\$0.185 per share. As ITC is a connected person of the Company under The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the subscription constituted a connected transaction of the Company and was subject to approval by independent shareholders. Aggregate net proceeds of the placing and subscription will be approximately HK\$80 million.
- (d) On 8th June, 2001, the Company entered into a conditional note amendment agreement with Star East Group Limited, the noteholder of the HK\$50 million convertible note issued by the Company (the "Convertible Note"), to amend the conversion price of the Convertible Note from HK\$0.70 per ordinary share to HK\$0.185 per ordinary share. The noteholder will, on the day of satisfaction of all the conditions, exercise the conversion rights attaching to all of the Convertible Note at the amended conversion price.

Proforma Consolidated Net Asset Value Statement

The following is a summary of the adjusted unaudited proforma consolidated net asset value of the Group after completion of the major subsequent events which have a material impact on the net asset value of the Group:

	HK\$' million
Audited consolidated net asset value of the Group as at 31st March, 2001	460
Add: Issue of 205,000,000 ordinary shares at the price of HK\$0.14 per share	27
Issue of 450,000,000 ordinary shares at the price of HK\$0.185 per share	80
Issue of 270,270,270 ordinary shares upon conversion of the Convertible Note	50
Adjusted unaudited proforma consolidated net asset value of the Group	<u>617</u>

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2001, the Group's total borrowings amounted to approximately HK\$274 million (2000: HK\$379 million) and mainly comprised bank borrowings of approximately HK\$120 million, a convertible note of HK\$50 million which is redeemable on 2nd September, 2002 and a convertible note of HK\$100 million which is redeemable on 28th June, 2002. 99% of such borrowings were denominated in Hong Kong dollars. Of the total bank borrowings, HK\$108 million was repayable in more than 1 year's time. The decrease in total borrowings as compared to the last financial year was mainly due to repayment of bank loans from the net proceeds of the disposal of investment properties. Amongst the Group's borrowings, only the HK\$100 million convertible note carries a fixed interest rate.

The Group's gearing ratio as at 31st March, 2001 was 45%, which is calculated on the basis of the Group's total interest bearing debts net of own cash reserves and short-term marketable securities over the total equity interest as at the reporting date. As at 31st March, 2000, the Group had net surplus and therefore, no gearing ratio existed. After taking into account the above adjusted proforma net asset value of the Group, the adjusted gearing ratio of the Group will be 33%.

The Group operates a central cash management system for all its subsidiaries. Bank arrangement and long term borrowing requirements for all subsidiaries are monitored and approved at the holding company level. The Group continued to follow the practice of prudent cash management during the year. When necessary, the Group will engage in currency hedging against exchange risks.

CONTINGENT LIABILITIES

As at 31st March, 2001, the Group has given guarantee totalling HK\$17,500,000 to a bank in respect of credit facilities utilised by an associate.

PLEDGE OF ASSETS

As at 31st March, 2001, certain of the Group's property interests with an aggregate net book value of approximately HK\$41 million were pledged to banks to secure credit facilities granted to the Group.

EMPLOYEES

As at 31st March, 2001, the Company and its subsidiaries had 397 employees (2000: 105). Employee remuneration, excluding directors' emoluments, for the year ended 31st March, 2001 was approximately HK\$52 million (2000: HK\$10 million). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.



• Star East Annual Dinner - "Opening Up New Horizons" •

• "Star East Staff Party" •

OUTLOOK

Given that economic revival in Asia is progressively on its way, and based on the solid foundation laid by the Group during the year, the management looks forward with confidence to year 2001. With the management's continuous efforts throughout the year in integrating and restructuring the acquired businesses, the Group now has focused core businesses with improved operation efficiencies.

Benefiting from synergies created and through interactions amongst different business divisions, the Group also aims to be the preferred provider of a full spectrum of integrated cross-media marketing services to satisfy the diverse needs of our clients, both locally and regionally. This strategy shall position the Group well for long term continued growth whilst enhancing its shareholders' value. In line with this strategy, the Group has recently engaged in the out-of-home media services business through its investment in "Mobile Media", whereby innovative content and commercials will be broadcast through a network of out-of-home media channels located at public transit vehicles, shopping arcades, convenience stores, etc. The management expects that such development will generate new returns to the Group in the near future.

With its mission to evolving as a leading, unique, fully integrated entertainment and media conglomerate in the Asia Pacific region, the Group is expanding its breadth of operations beyond the current markets to major cities in the Asia Pacific region. In particular, the Group looks forward confidently to further growth opportunities that will emerge with mainland China's imminent entry into the WTO later this year. Moving forward, the Group will continue to consolidate its foundation whilst exploring new investment, partnership and alliance opportunities in Asia that will bring synergies, scale-building and complimentary business to the Group in long term.

APPRECIATION

On behalf of the board, I would like to take this opportunity to express my gratitude to the shareholders for their support, to the management, celebrity shareholders and staff for their contributions and dedicated efforts throughout this past year.

TAM WING LUN, ALAN

Chairman

Hong Kong, 16th July, 2001