

The major investments of the China Cyberworld Group in this sector mainly comprise a 56% interests in Internet PRO Limited ([www.iproworld.com](http://www.iproworld.com)), a 48% interests in Fujian Sunshine Education Info. Co. Limited ([www.chinaschool.org](http://www.chinaschool.org)), a 25% interests in Treasure Auctioneer International Limited ([www.treasure-auction.com](http://www.treasure-auction.com)) and a 85% interests in Beijing Global Culture Information Technology Co., Limited ([www.chinaculture.com.cn](http://www.chinaculture.com.cn)).

**(c) Manufacturing Division**

**(i) 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.



Products of Yuen Sang



Yuen Sang Building, Danshui, Huiyang, Huizhou, Guangdong

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

The China Cyberworld 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 last year, and profit attributable to shareholders amounted to about HK\$27.6 million, representing an increase of about 9% over last year.



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



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

## NET ASSET VALUE

As at 31st March, 2001, net assets of the Group amounted to HK\$3,114.3 million equivalent to approximately HK\$2.35 per share.

## FINANCIAL POSITIONS

As at 31st March, 2001, the Group's bank and other borrowings amounted to HK\$1,332.5 million (2000: HK\$1,361.0 million). Bank balances, cash and other investments of the Group as at the same date amounted to HK\$628.8 million (2000: HK\$768.2 million). The Group's debt to equity ratio was approximately 22.6% (2000: 19.1%) expressed as a percentage of bank and other borrowings net of bank balances, cash and other investments over total net assets of the Group.

Approximately 92.7% of the Group's bank balances, cash and other investments were in Hong Kong dollar or United States dollar with the balance 7.3% in Renminbi.

Approximately 95.9% of the Group's bank and other borrowings were denominated in Hong Kong dollar with the balance of 4.1% being denominated in Malaysian Ringgit. Approximately 19.6% (2000: 13.6%) of the Group's bank and other borrowings was repayable within one year, 10.9% (2000: 17.7%) repayable within 1 to 2 years, 29.7% (2000: 43.5%) repayable within 2 to 5 years and the balance of 39.8% (2000: 25.2%) repayable over 5 years.

During the year, in order to further strengthen the Group's financial position, the Company issued 220 million new shares at a price of HK\$0.255 each to raise a net proceeds of approximately HK\$55.1 million. The net proceeds have been used for general working capital purposes.

## PROSPECTS

According to the PRC's Tenth Five-Year Plan, the economy is expected to grow at an average annual rate of about 7% over the next five years. On the back of the PRC's economic growth, coupled with the business opportunities that will arise from the PRC's imminent entry to the World Trade Organisation, the long-term economic prospects for Hong Kong, being a gateway to the PRC, are bright.

The residential property market in Hong Kong has gone through a period of consolidation and has stabilised. On-going economic and population growth, supportive government housing policies as well as significant cuts in mortgage rates will underpin the long-term demand for residential properties.

The Group's property development strategies include focusing on residential development projects located in prime areas where the supply-demand conditions are more favourable and strengthening its reputation for being a quality property developer. Currently, the Group is developing three major residential projects on the Hong Kong Island. Subsequent to the balance sheet date, the Group has launched The Notting Hill project for presale. Marketing of the other two projects will also commence in the coming months. The prestigious design and convenient locations of these projects are expected to attract genuine demand from end users. Upon the sale of these projects, the Group's cash flow position will be further enhanced and will seek for opportunities to replenish its land bank in the future.

On the property investment front, the Group owns a high-quality portfolio of commercial and office investment properties, which provides the Group with strong recurrent income streams. To further enhance the yield, the Group will continue to pursue effective leasing strategies to improve the occupancy rates of its investment properties.

Regarding the PRC property market, the continuing active measures adopted by the PRC government to reform the property market and the improving credit and mortgage arrangements of the banking system 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 far as the information technology division is concerned, the market conditions and operating environment are expected to be challenging in the coming years. However, with the healthy financial position and ample cash resources, the Group is well positioned to capitalise on the consolidation of the Internet and information technology industry to explore opportunities to enhance its profit-generating capability.

The Group's industrial investments are principally engaged in the manufacture and sale of bonded polyester, home finishing products, watches and watch components as well as printing businesses. Looking ahead, the Group plans to beef up its industrial operations by expanding the product range, conducting businesses online along with the traditional way of doing businesses and seeking for acquisition opportunities.

## **STAFF**

The head office of the Group is located in Hong Kong. The Group has offices in Singapore, Kuala Lumpur, Malaysia and Huizhou, Dongguan, Guangzhou, and Chengdu, the PRC. As at 31st March, 2001, the Group employed 1,191 staff (of which China Cyberworld and its subcontracting factories employed 1,011 staff). Staff remuneration packages are normally reviewed annually. The Group also provides other staff benefits, which include year-end double pay, discretionary bonus, defined contribution retirement and insurance schemes. Training programmes are provided for staff as and when required.

## **APPRECIATION**

Finally, I would like to thank my fellow directors and our dedicated staff for their valuable contributions during the year.

**Alan Chuang Shaw Swee**

*Chairman*

Hong Kong, 16th July, 2001