



# Chairman's Statement

I am pleased to present to the shareholders my remarks of the Company for the year ended 30 April 2001.

In May 2000, the Company introduced some new strategic institutional shareholders to facilitate investment in a new line of business - investment in the technology sectors. The Company embarked upon a few minority investments in software and Internet related investments in 2000. However, the differences amongst directors representing certain strategic shareholders in the investment approach have led ultimately to expensive lawsuits and board reshuffle.

I do not have any view on the differences amongst the directors concerned. The decisions of the investments were mostly subjective, which in turn depends on the directors' respective past experiences as well as their preference of industries.

We have invested a good portion in Internet related businesses, in pursuance to the guidelines set by the board of directors. We must admit that the new economy, insofar as it presents a huge potential for future appreciation of value, lacks the foundation offered by the old economy.

In 2001, we have attempted to diversify into making corporate acquisitions and takeovers, which we hope to benefit from a shorter-term return than what the new economy investment can offer. The result is yet to see, though I am optimistic.

### **Results of Operation**

During the year under review, the Group transformed itself from a freight forwarding company into an investment holding company. The Group's major activities were investments in technology and technology related businesses. These investments normally have a long-term payback period in terms of income.

Our investments have not yielded the Group much return in terms of income, except that the substantial amount of cash raised in 2000 yielded a decent interest income for the Group. It is hoped that our focus back to the old economy will change the nature of our revenue.

Total interest income, which represented the significant portion of the income of the Group for the year, was HK\$26 million. However, the Group paid substantial placing fees in raising approximately HK\$500 million from strategic institutional shareholders in May 2000. Further, because of the lawsuits against directors and the Company itself during the year under review, the Group incurred substantial legal costs in defending those actions, all of which have now settled. The net loss of HK\$16.3 million are largely attributable to these fees. The reduction of losses, however, represents a substantial improvement over that of last year.

#### **Financial Position and Investments**

Throughout the year, the Group has been in a strong liquidity and financial position. As at 30 April 2001, the Group held cash on hand and bank balances of approximately HK\$146 million with an almost zero gearing, and only HK\$7.2 million of the Group's assets were charged. For the investments made during the year, the Group has no obligation to provide any further capital or financial commitment for any of them.

The Group has adopted a prudent policy on cash pending investments. Substantially all of the Group's cash resources are placed with licensed banks in Hong Kong to earn interest income.

#### **Staffing Policies**

The Group keeps a lean operation but emphasizes on the quality of its employees. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. The Group operates a mandatory provident fund scheme covering all the employees of the Group.

Share options have been granted to some employees. However, as the shares of the Company trades protractedly below its par value, the Company has not been able to issue employee stock options at a price close to the market price.

**Material Acquisitions of the Company**

The Group had made the following material acquisitions during the year, which formed the Group's principal investments made and significant investments held during the year. The investments mainly focus on the Internet and software sectors:

1. Core Solutions Limited, which is engaged in the business of providing e-business solutions to customers mainly in the banking and finance industry. The Group acquired approximately 25% of its issued capital for a consideration of HK\$38 million.
2. Future Solutions (Holdings) Limited, which is engaged in the business of providing e-commerce, wireless and m-commerce solutions to customers mainly in the trading and the public sectors. The Group acquired approximately 20% of its issued capital for a consideration of HK\$24 million.
3. WebVideoShop.com Limited, which is engaged in the business of the sale of video and audio contents and products through the Internet and has the technology to stream video clips to customers for preview. The Group acquired approximately 85% of its issued capital for a consideration of HK\$255 million.
4. B-Tech (Holdings) Limited ("B-Tech"), a company listed on the main board of The Stock Exchange of Hong Kong Limited and is engaged in the investment in the technology sector. The acquisition was made by way of share exchange in two tranches, the first of which, accounting for 16.7% of the entire issued capital of B-Tech, was made during the year under review. The second tranche topped up the shareholding in B-Tech to 33.3%, which occurred after the balance sheet date.

**Prospect**

Given the global slowdown of the Internet and related sectors, none of the above mentioned investments have yet provided a return which is comparable to investments commonly found in the old economy. The Group is in the process of restructuring these assets, including finding new investors or disposing of them, which may take any form, may take a long time to succeed, and may or may not materialize.

In order to diversify the risk of our investments, the Group is eyeing on good opportunity of investing in traditional businesses. A recent offer by the Company to acquire all the issued shares of Shun Cheong Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited detailed in note 32(c) to the financial statements is a move by the Company to improve its earning per share and net tangible asset per share by its presence in the old economy. The Group is also diversifying its investments into the property market in the People's Republic of China ("PRC"). A conditional sale and purchase agreement has recently been entered into between the Group and a vendor for the Group to purchase an interest in a development project in Yang Pu District, Shanghai, PRC details of which are described under note 32(d) to the financial statements.

I certainly hope that a diversified portfolio back into the old economy can balance the risk of our investments. At present, we are in a no better position than most listed companies in Hong Kong, but we will strive to excel. I hope in my next Chairman's Statement, I can give you a more promising review.

**Lai Hok Lim, Alex**

*Chairman*

Hong Kong, 28 August 2001