



## Chairman's Statement

### TO OUR SHAREHOLDERS

Year 2000/2001 can be characterized by being a year of difficulties. During the 1st half, supported by the high-tech boom, the market can still be sustained at a not that pessimistic atmosphere. The market, however, turned further soar during the 2nd half with the continue bursting of the dot.com operation, a number of shutting down, lay-off in fundamental industries as a result of the substantial slow down in economy of the U.S. economy. This is well evidenced in the successive lowering of the economic growth rate of the HKSAR by various organizations, including the Government itself. This downward adjustment is further impacted by the lack of confidence over the future; hence, reluctant to spend money. **The Company is also affected by the captioned downturn.**

### AN ANALYSIS OF THE WRONG AND THE RIGHT DOINGS

Irrespective, the Board does not like to disclaim its behavior/performance to the economic factor, hence, would like to invite both critique and appreciation so as to achieve a better performance.

The Company has over-exposed in financing and investment activities:

- a) Over-lending to some reputed persons on a "name" basis or against securities. The value of which has deteriorated much faster than anticipated. Additionally, the response and remedial actions to reduce losses are not prompt enough;
- b) Over-reliance on valuation reports as to the value of the investee companies during investment, neglecting the various external prevailing factors, including the economic downturn, and the practical difficulties in achieving the revenue as described in the revenue model; and
- c) Over-optimistic on the progress/performance of the projects. Hence, over-valued the revenue and contribution to the Company.

Therefore, a quite substantial provision has been made against the funds being lending out and on the investee companies, and contribution from other investee companies is not as fast and as big as anticipated.

On the other hand, the Board is proud to note that

- a) Irrespective the poor economic scenario, there is not any bad debt arisen from the trading operation. This is a result of prudent policy in extending credit to the buyers (at the expenses of lowered the turnover);
- b) One of the investee companies, Riverhill Holdings Limited (previously known as Beijing Spatial Port Network Technology Limited) had successfully listed in the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited in June, 2001. Due, however, to the poor market sentiment, the valuation is at a discount to the value at the time of our investment, thus, a provision for diminution in value is still required for this investment. Nevertheless, this company's shares have received an overwhelming response and a 120 times over-subscription has been achieved in the public offer. This is an evidence of the correct judgement in selecting investee companies. Furthermore, some of the Group's other investments have also been disposed to third parties at a premium, and thus further evidencing the judgement power of the management.



- c) Some of the other investee companies have also progressed, though at a slower pace than originally planned. We anticipated that these investee companies would continue contributing to the Group in the coming months/years in addition to the possible listing;
- d) The Board has continued to adopt the rule of "Cash is King" and has preserved the majority of fund. The Company is still running on its own fund rather than resolving to financial institutions for financing. Financial position of the Group is very healthy.

In view of the aforesaid, the Board has adopted the following practice:

- a) Limiting its credit exposure in selling only to credit-worthy customers. Although this is at the cost of lowered the turnover, we believe that this should be the right approach in view of the potential profit vis-à-vis the risk to be encountered. In fact, the Board would restrict other financing activities in order to avoid running into the trap again;
- b) Recruiting additional suitable candidates to follow the relevant investment in order to ensure the progress and to the least, the overhanging factors so that actions can be taken prior to turning soar. Moreover, additional accounting colleagues have also been employed to relieve the controller/directors' role in routine job;
- c) Substantially written down the investment amount in its investee companies. This is to ensure the financial statements can accurately reflect the actual situation of the Group's performance;
- d) Slowing down the expansion pace. Additional investments would be vested only when a secured foundation have been proved in the preceding phase; and
- e) Restricted the number of investments so that substantial (and hopefully sufficient) manpower can be placed to follow the progress of each individual investment. In fact, apart from those invested projects, the Group has decided to participate in only the Well Pacific Investments Limited, an industrial concern with proven record.

#### FUTURE DIRECTION – PUTTING DIGITAL IN THE WORLD

The key of the Company's long-term growth is based on the successfully implementing projects that have been identified to be promising, adopting changes that become a necessity following the changes in environment, and a talented alliance team. We are definitely not satisfied at the current performance and would strike for the betterment.

On the other hand, the future can only be considered pessimistically optimistic. The U.S. economy is bound to be a loser, in particular following the "911" incident, at least to the 1st half of 2002, and the worldwide economy would also be affected correspondingly.



Fortunately, the Group's emphasis has constantly been placed in the Greater China, in particular the People Republic of China (the "PRC"), which the economy is believed to be continued in taking the lead in the coming years. This is highly feasible in view of

- a) the entry of the World Trade Organization (the "WTO") by November, 2001;
- b) the hosting of the Olympic games at Beijing during year 2008; and
- c) the various major infrastructure to be conducted in the western part of the PRC and the proposed major transmissions, including the transmission of natural gas from the western part to the eastern part and the water from southern part to the northern part, etc.

In fact, the Company has the following definite advantages, namely,

- a) already made dramatic progress in restructuring our business and transitioning our focus to fast-growing, high-margin product/area;
- b) handful of promising and inter-related (both horizontal and vertical) and coupled with synergy effect projects that are progressing healthy; and
- c) a strong financial base and solid business focus,

and our directions would be focused on

- 1) the PRC would remain the prime emphasis;
- 2) while emphasis would continue on highly effective and promising Internet related projects (see below), the Group would also make use of its edge in basic products/services – wines; commodities; logistics carriers; promotion businesses to generate revenue to compensate the shareholders' leniency; and
- 3) wireless solution and Internet Data Center with emphasis on bandwidth management; value-added services; professional services; ... – an instant and genuine revenue generating mean.





**APPRECIATION**

While we understand that shareholders may not satisfy with the result for the year 2000/2001, the Board would like to point out that the majority of the loss is as a result of some one-off "exceptional" items. Following the gradual maturation of the projects, the Board is confident that year 2001/2002 would be a fruitful year. We are confident that with the right products, the right business model aimed at the right market and the right team to support the goals, the future prospects would be bright.

Last, but not the least, would like to thank all colleagues for their hardworking during the year, friends for the guidance, constant remembrance and introduction of potential partners, partners and customers in working hard for meeting the target and to shareholders for their patience. **Join us for a brighter future.**

**CHAN Tak Hung**  
*Chairman*

Hong Kong, 18th October, 2001

