

The Directors present their annual report and the audited financial statements for the period from 1 April 2000 to 31 December 2000.

## CHANGE OF FINANCIAL YEAR END

The financial year end date of the Company and its subsidiaries has been changed from 31 March to 31 December so that the preparation of financial information is better co-ordinated with annual corporate and strategic planning of the Group. The financial statements presented therefore cover a period of nine months from 1 April 2000 to 31 December 2000.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries and associates are principally engaged in property investment and development, investment holding, provision of internet and internet related services, investment in trading securities and the provision of brokerage and financial services. Details of the Company's subsidiaries are set out in note 19 to the financial statements.

## SEGMENTAL INFORMATION

The Group's turnover and contribution to Group's results analysed by principal activity and by geographical location are as follows:

	01/04/2000 to 31/12/2000		01/04/1999 to 31/03/2000	
	Turnover HK\$'000	Contribution to Group's results HK\$'000	Turnover HK\$'000	Contribution to Group's results HK\$'000
By principal activity:				
Investment in trading securities	220,297	(131,484)	83,992	(38,074)
Provision of brokerage and financial services (note 1)	40,425	(46,379)	1,255	610
Property investment and development	4,784	(17,971)	10,274	(3,768)
Proceeds from sale of properties held for sale	–	–	5,050	(129)
Investment holding (note 1)	–	(11,571)	–	(93,511)
Internet and internet related business	–	(28,899)	–	–
Manufacture and distribution of laminated PVC steel plates and fire-proof materials (note 2)	–	–	23,141	(1,144)
Manufacturing of switching power supply units (note 2)	–	–	3,345	430
Others	–	–	–	(960)
	<b>265,506</b>	<b>(236,304)</b>	127,057	(136,546)

## SEGMENTAL INFORMATION *(Continued)*

	01/04/2000 to 31/12/2000		01/04/1999 to 31/03/2000	
	Turnover HK\$'000	Contribution to Group's results HK\$'000	Turnover HK\$'000	Contribution to Group's results HK\$'000
By geographical location:				
Hong Kong	265,111	(236,068)	103,059	(134,323)
Elsewhere in the People's Republic of China	333	(191)	23,483	(1,571)
North America	62	(45)	515	(652)
	<b>265,506</b>	<b>(236,304)</b>	127,057	(136,546)

### Notes:

- (1) Turnover from provision of brokerage and financial services for the period ended 31 December 2000 included interest income from loans receivable and advances amounting to HK\$26,574,000. Interest income from loans receivable amounting to HK\$1,255,000 and its attributable profit of HK\$610,000 included in turnover from and contribution from investment holding for the year ended 31 March 2000 have been reclassified as turnover from and contribution from provision of brokerage and financial services respectively.
- (2) The Group had disposed of and deconsolidated the financial statements of these subsidiaries during and after the period ended 30 September 1999 respectively. These subsidiaries were engaged in manufacturing activities and accordingly, there was no turnover and contribution from manufacturing activities for the current period.

## SUBSIDIARIES AND ASSOCIATES

Details of the Company's subsidiaries and associates at 31 December 2000 are set out in notes 19 and 20 to the financial statements respectively.

## RESULTS

The results of the Group for the period from 1 April 2000 to 31 December 2000 are set out in the consolidated income statement on page 19.

## RESERVES

Movements in the reserves of the Group and the Company during the period are set out in note 31 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 71 and page 72.

## SHARE OPTIONS

Details of the Company's share options are set out in note 30 to the financial statements.

## INVESTMENT PROPERTIES

During the period, the Group acquired investment properties for HK\$11,020,000.

The Group's investment properties were revalued at 31 December 2000 by a firm of independent professional property valuers on an open market value existing use basis. A net deficit of HK\$14,760,000 arising from the revaluation has been charged to the income statement.

Details of the movements in investment properties of the Group are set out in note 16 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired certain properties for HK\$25,632,000 through acquisition of subsidiaries.

Details of the movements in property, plant and equipment of the Group during the period are set out in note 17 to the financial statements.

Particulars of the major properties of the Group as at 31 December 2000 are set out on pages 73 and 74 of the annual report.

## BORROWINGS

Details of the obligations under hire purchase contracts and bank and other borrowings of the Group and the Company are set out in notes 28 and 29 to the financial statements respectively.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the period are set out in note 30 to the financial statements.

Details of the changes in the share capital subsequent to the balance sheet date are set out in note 41(a) to the financial statements.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## CONVERTIBLE SECURITIES, OPTIONS OR SIMILAR RIGHTS

Save as disclosed in the section headed "Connected Transactions" in this report and notes 27 and 30 to the financial statements, the Company or any of its subsidiaries had no outstanding convertible securities, options or similar rights as at 31 December 2000 and there was no exercise of any convertible securities, options or similar rights during the period.

## DIRECTORS

The directors of the Company during the period and up to the date of this report were:

### **Executive directors:**

Chuang Yueheng, Henry

Chung, Wilson

Lo Kan Sun

Wong Ying Seung, Asiong

Wong Siu Bun (appointed on 5 December 2000)

### **Independent non-executive directors:**

Lam Ping Cheung

Sun Lup Chung (appointed on 4 December 2000)

Chan Wing Cham, Lawrence (resigned on 4 December 2000)

In accordance with Clauses 89 and 97 of the Company's Bye-laws, Messrs. Chuang Yueheng, Henry, Chung, Wilson, Wong Siu Bun and Sun Lup Chung retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The directors proposed for re-election at the forthcoming annual general meeting do not have service contracts which are not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

The interests of the directors and their associates in the share capital of the Company as at 31 December 2000 as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") and share options were as follows:

### (i) Shares

	At 31 December 2000	
	Number of ordinary shares held	
	Personal interests	Corporate interests
<b>Directors:</b>		
Chuang Yueheng, Henry (note)	–	2,981,738,364
Lo Kan Sun	200	–

*Note:*

These shares were held by Radford Developments Limited which is controlled by a trust established for the benefit of the son of Mr. Chuang Yueheng, Henry.

Apart from the above, none of the directors or their associates had any personal, family, corporate or other interests in the equity of the Company or its subsidiaries as at 31 December 2000.

### (ii) Share options

Details of the outstanding options as at 31 December 2000 to subscribe for shares in the Company granted to the directors and their associates are as follows:

Name of Directors	Number of share options					
	Outstanding at 1 April 2000	Granted during the period	Exercised during the period	Oustanding at 31 December 2000	Exercise price per share HK\$	Exercise period
Chuang Yueheng, Henry	10,000,000	–	–	6,000,000 (note)	1.693 (note)	9 October 1997 to 8 October 2007

*Note:*

The number and option price of the share options were adjusted from 10,000,000 with exercise price of HK\$0.42 per share to 6,000,000 with exercise price of HK\$1.693 per share due to rights issue on 3 May 2000 and consolidation of shares on 15 August 2000.

Save as disclosed above, at 31 December 2000 none of the directors or their associates had any interests in the shares and share options of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance. In addition, none of the directors, or their spouses or children under the age of 18 had any right to subscribe for the shares of the Company or had exercised any such right during the period.

## DIRECTORS' INTERESTS IN CONTRACTS

Details of directors' interests in contracts are set out in note 40 to the financial statements.

Save as disclosed in note 40, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

## CONNECTED TRANSACTIONS

The following connected transactions occurred during the period ended 31 December 2000:

1. On 18 May 2000, a convertible note of HK\$100,000,000 was issued by a non-wholly owned subsidiary, Hennabun Management Inc. ("HMI"), to the Group. On 14 August 2000, the Group exercised its conversion rights under the convertible note whereby 14,285,714 shares of US\$1.00 each, representing 101.69% of the then issued share capital of HMI, were issued by HMI to the Group. The conversion price for each conversion share was HK\$7.
2. The Company has executed a guarantee to the extent of HK\$53,000,000 in favour of a third party for the due performance of Cupac Technology Limited ("Cupac"), a non-wholly owned subsidiary, under a subscription agreement dated 21 October 2000 in connection with a convertible note of HK\$53,000,000 issued by Cupac as detailed in note 27 to the financial statements. In this connection, the Company will receive an annual guarantee fee of 3% on the principal amount of the convertible note. The guarantee fee received by the Company in respect of the period amounted to HK\$309,287.
3. On 4 August 2000, a conditional sale and purchase agreement was entered into between First Asia Properties Limited and Righteam Limited, wholly-owned subsidiaries of the Company, and B-Tech (Holdings) Limited ("B-Tech") (formerly known as Dong-Jun Holdings Limited), a company listed in Hong Kong and a minority shareholder of Cupac. Under the agreement, B-Tech will acquire the entire issued share capital of East Champion Limited, a wholly owned subsidiary of the Company, together with a shareholder's loan for an aggregate consideration of approximately HK\$99,000,000. As detailed in note 41(b) to the financial statements, the transaction had not been completed on the scheduled completion date of 5 February 2001.
4. The Company has executed guarantees amounting to HK\$48,000,000 for banking facilities granted to a subsidiary of HMI, Chung Nam Securities Limited ("Chung Nam"). In this connection, a guarantee fee in respect of a facility amount of HK\$30,000,000 calculated at 1.5% per annum on the amount of such facility utilised from time to time by Chung Nam is payable to the Company. No such banking facility was utilised by Chung Nam at the balance sheet date.
5. The Group has granted unsecured short term loans and secured advances to a director of certain non-wholly owned subsidiaries throughout the period. The loans carried interest at 11.5% to 15% per annum or at prime rate plus 3% per annum. The advances carried interest at prime rate plus 3% to 15% per annum. At the balance sheet date, the outstanding loans and advances amounted to approximately HK\$47,000,000 and HK\$5,400,000 respectively. Interest income received and receivable from the director amounted to HK\$1,986,000 in respect of the period.

## CONNECTED TRANSACTIONS *(Continued)*

6. The Group has granted unsecured short term loans to B-Tech throughout the period. The loans carried interest at 12% to 14.5% per annum or at prime rate plus 2% to 5% per annum. At the balance sheet date, the outstanding loans amounted to HK\$8,500,000. Interest income received and receivable from B-Tech amounted to HK\$1,756,000 in respect of the period.
7. Cupac has granted unsecured short term loans to Chung Nam throughout the period. The loans carried interest at prime rate plus 1% to 2% per annum. At the balance sheet date, the outstanding loans amounted to HK\$52,000,000. Interest received and receivable by Cupac amounted to HK\$1,847,000 in respect of the period.

Connected transactions subsequent to the balance sheet date are set out in note 41 to the financial statements.

The directors, including the independent non-executive directors, confirm that the transactions have been entered into by the Group in the ordinary course of its business and are in accordance with the terms of the agreements governing such transactions.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, as far as the directors were aware, the interests of the substantial shareholders in the shares of the Company were as follows:

Name	Number of ordinary shares of HK\$0.01 each held in the Company	Percentage of issued share capital of the Company
Radford Developments Limited	2,981,738,364 (note)	29.9%

*Note:*

These shares were held by Radford Developments Limited, which is controlled by a trust established for the benefit of the son of Mr. Chuang Yueheng, Henry.

Apart from the aforesaid, as at 31 December 2000, the Company had not been notified of any interest amounting to 10% or more of the issued share capital of the Company.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

#### MAJOR CUSTOMERS AND SUPPLIERS

For the period ended 31 December 2000, the aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively represented less than 30% of the Group's total turnover and purchases.

#### CODE OF BEST PRACTICE

The Company has complied throughout the period with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### POST BALANCE SHEET EVENTS

Significant post balance sheet events are set out in note 41 to the financial statements.

#### DONATIONS

During the period, the Group made charitable and other donations amounting to HK\$73,000.

#### AUDITORS

During the period, Messrs. Deloitte Touche Tohmatsu, who acted as auditors of the Company for the preceding four years, resigned and Messrs. BDO International were appointed the auditors of the Company. Accordingly, a resolution will be submitted to the annual general meeting to re-appoint Messrs. BDO International as auditors of the Company.

On behalf of the Board

**Chuang Yueheng, Henry**

*Director*

Hong Kong, 20 April 2001