

# Chairman's Statement

## Results

Primarily as a result of provisions made against the impairment in value of two investments after a prudent review of the Directors, the Group recorded a loss of HK\$14,348,000 in year 2000. The Group's results before such provisions were a profit of HK\$1,402,000.

The Group's net asset value dropped by HK\$42,617,000, which was principally a combined effect of the above provisions and a fall in value of the listed securities portfolio.

## Business Review

### Listed Investments

The millennium was a challenging year for the Group. Following the burst of the dot.com bubble in Nasdaq causing negative sentiments to spread across global stock markets, Hong Kong was caught by the spilt-over effect. The Hang Seng Index fell by 13% over the year and the Group's listed securities portfolio follow suit by suffering an unrealized loss, although expected to be temporary, of HK\$25,518,000. The Directors expect that the value of the portfolio will eventually recover to a reasonable level when market sentiments improve, given that many stocks in the portfolio are of good business fundamentals.

### Unlisted Investments

In December 2000, one of the Group's significant investments, Everest International Investments Limited ("Everest"), was successfully listed on the Hong Kong Stock Exchange. Everest is an investment company focusing on listed and unlisted securities in the Greater China and Asia-Pacific regions, which are economies expected to perform well in the coming years. The Group holds a 14.52% interest in Everest.

Through effectively exercising its rights under a convertible loan note in December 2000, the Group acquired a 21% interest in Tianjin Standard International Building Materials Industry Co., Ltd. ("Tianjin Standard"). Tianjin Standard is principally engaged in the manufacture and trading of building materials in the Mainland and had experienced a strong sales growth in past years.

For the year under review, provisions for impairment in value were made against two investments after a prudent review by the Directors. Full provision of HK\$9,000,000 was made against the convertible loan note issued by Koffman Limited ("Koffman") for which legal actions against Koffman and its guarantor in respect of the repayment of principal and accrued interest have been filed by the Company. These proceedings are still in progress. Based on the advice of the Company's lawyer, the Directors believe that the Company will be successful in its action against Koffman. However, as the Company is unable to obtain any updated financial information of Koffman and the guarantor so as to assess, with reasonable certainty, their ability to repay the amounts owing to the Company in the event that the legal action is successful, a full provision was made against the principal amount of the note.

## Chairman's Statement

Further provision for impairment in value of HK\$6,750,000 was made to a convertible loan note with a principal amount of HK\$13,500,000 issued by Dynamic Venture Enterprises Limited. As the issuer of the note had delayed their interest payments on several occasions and the underlying investment of the issuer did not perform satisfactorily as expected, a 50% provision was made against the principal amount of the note.

### Investment Portfolio and Financial Resources

At the balance sheet date, 46% of the Group's investment was in a portfolio of Hong Kong listed securities, 30% in the equity interests of Tianjin Standard, 12% in convertible loan notes (after provisions) with the remaining 12%, equivalent to over HK\$7,000,000, in time deposits.

The Group had no bank borrowing at the balance sheet date.

### Prospects

The investment approach for this year will be one of cautious in view of the continuous declines of global stock markets, including the US and Hong Kong, and the negative sentiments of investors in general. The Group will restructure its investment portfolio to increase shareholders' return when appropriate opportunities arise, however, investments in Hong Kong and Mainland will remain as the Group's focus.

### Appreciation

On behalf of the Board of Directors, I like to thank the Investment Manager and staff for their dedicated efforts during the past year, and look forward to their continue support in the coming year.

### Wong Fong Kim

*Chairman*

Hong Kong, 20th April, 2001

