

## MESSAGE FROM THE CHAIRMAN

During the financial period under review, the Hong Kong economy was gradually recovering, with the economic growth rate reaching 10.5% for the year 2000. However, amid the global slowdown brought by the new economy consolidation in the US, future development of the Hong Kong economy becomes uncertain.

The Company has changed its financial year-end date from 31st March to 31st December. For the period from 1st April, 2000 to 31st December, 2000, turnover of the Group amounted to HK\$188,693,000 which is in line with the turnover of last year (adjusted on a pro-rata basis). The loss for the period was HK\$52,648,000. The loss was mainly attributable to a total of HK\$34,492,000 provision for deficit arising on revaluation of investment and hotel properties, and a HK\$19,108,000 provision for unrealised holding loss on other investments.

During the period, the proportion of the Group's principal activities to turnover was: property investment and management 26.5%, shipping 29.1%, hotel operation 14.4%, financial services 15.1%, securities investment 14.3%, and trading and others 0.6%.

By geographical markets, 34.4% turnover arose in the PRC while the remaining 65.6% derived from Hong Kong and other regions.



**Mr. WANG Jun**  
*Chairman*



**Mr. HE Ping**  
*Vice-Chairman*

For the current financial period, the PRC economy kept growing steadily and became a crucial contributor to the stabilisation of the Asian economy. In particular, following the signing of the bilateral trade agreements by the PRC with the United States and the European Union, it is expected that the PRC will further open up its market and as a result, its economic development will advance further. In year 2000, the PRC government further implemented its aggressive financial policies by adopting a series of significant measures to stimulate consumption and investment, so as to maintain the rapid and healthy development of its national economy. The Group's advantage and feature are its "China Concept". Following the PRC's accession to the World Trade Organisation soon, the Group will fully capitalise on its "China Concept"

and form strategic partnership with multinational companies to jointly develop and invest in projects in the PRC for the long-term development of the Group.

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To accommodate changes of the world economy and to search for new point for economic growth, the Group entered into a conditional agreement in March 2000 to acquire 66% equity interests in Polystar Digidisc Co., Ltd. ("Polystar") for a consideration of approximately RMB62,000,000 (including shareholder's loan) so as to pursue business forward in the realm of hi-tech business. The principal activity of Polystar is the duplication of DVDs. Since the first production in 1982, compact disc technology has been developed for nearly 20 years. At present, Polystar has four production lines. The annual production is 50,000,000 CDs or 16,000,000 DVDs. The acquisition broadens the scope of operations of the Group as well as consolidates the base of its recurrent income and cashflow. At present, the Group is carrying out the feasibility study on expanding its production scale and on acquisition of other production plants.

In addition to the investment in Polystar, the Group was also involved in the financial sector of the PRC. By the end of March 2000, the Group entered into a conditional agreement to acquire 48% equity interests in Winterthur Insurance (Asia) Limited for a consideration of approximately HK\$74,000,000. The investee company is principally engaged in the operation of non-life insurance business in Shanghai through its branch in the city.

Since 2000, the Hong Kong economy has been turning around. Its interest rate has been falling and property price stabilising. The general public has also restored their confidence in the territory's economic prospect. All these signs suggest that the Hong Kong economy has been on the path of recovery. However, with the global slowdown brought by the new economy consolidation in the US, future development of the Hong Kong economy becomes uncertain.

In the coming years, lending support from its controlling shareholder, China Poly Group Corporation, the Group will actively seek other potential and appropriate investment opportunities in the PRC and Hong Kong, in particular emerging industries with good returns. Under this strategy, the Group strives to gradually build up an assets portfolio focusing on communication, cultural, mass media and insurance and supplemented by property investments and development, shipping business and strategic investments. The Group intends to further widen, consolidate and strengthen its earning base for a steady and satisfactory yield, so as to maximise shareholders' returns.

Lastly, on behalf of the board, we express our gratitude for the full support of our shareholders and the dedication of our staff.

**WANG Jun**  
*Chairman*

**HE Ping**  
*Vice-Chairman*

23rd April, 2001