

### Results

For the year ended December 31, 2000, the Group's turnover and net loss for the year were approximately HK\$84 million (1999: HK\$85 million) and HK\$42 million (1999: HK\$139 million) respectively. Loss per share was HK7.47 cents (1999: HK31.52cents).

### Dividend

No interim dividend was paid during the year (1999: Nil). The Board of Directors does not recommend the payment of a final dividend for the year (1999: Nil).

### Business Review

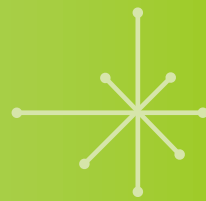
The Hong Kong economy showed signs of recovery during the 2000. Economic fundamentals have steadily improved over the past year. The Group's construction and fit-out works remained the core business of the Group. Our management has exercised maximum financial prudence in managing our construction contracts by discontinuing any bid for new contracts that offer negligible or negative margins. Nevertheless, we registered a 15% increase in gross turnover in construction business to HK\$58 million for the year.

The increase in revenue arose primarily from the production of television programs and advertising commercials by Reach Video Production Co. Ltd. ("Reach Video"). Reach Video is a professional films and TV program production house which the Group acquired in late 1999 to complement our strategy of expanding into the cable broadband interactive cable TV market in the People's Republic of China (the "PRC"). During the year, Reach Video contributed HK\$25 million in revenue.

Costs of revenue mainly represent direct materials and subcontracting costs for construction projects and production costs for TV programs and advertising commercials. Gross margin improved from 11% in 1999 to 13% in 2000 primarily due to contribution by Reach Video.

General and administration expenses increased from approximately HK\$45 million in 1999 to approximately HK\$63 million in 2000. These expenses include salaries, professional fee, consultancy fee and administration expenses. The increase in expenses related primarily to additional salaries for Reach Video, increased expenditures related to the testing and deploying of broadband multimedia services, increased legal and financial advisory fees in connection with our efforts to recover old receipts from construction contract customers and debt financings to fund our operations.

The Group has decided to sell the power plant investment in Heilongjiang, the PRC, in January 2000 in light of disappointing operating results during the second half of 1999. Since the Group does not anticipate any substantial improvement in the financial performance of the power plant in the near term, it would be in the best interest of the Group to dispose the power plant and divert its management effort to the construction work and broadband businesses. The disposal was completed during the year and a gain of approximately HK\$27 million was recognized.



During the year, the Group shared a loss of approximately HK\$6.9 million from CVN Group Inc. ("CVN"), an associated company in which the Group has 33% interest. CVN is the owner of the CVN project which aims at using the most advanced scalable parallel processing and digital data compression technology to deliver rich video and audio content, entertainment, information, e-commerce, data hosting and other value added services via the broadband cable TV network to users in the PRC. The project is progressing in deployment stage and is expected to be launched in various cities in the PRC at second half of 2001.

### Financial Review

During the year, a total of 171,896,776 ordinary shares of par value HK\$0.1 each were issued by the Company to an independent third party in connection with the conversion of convertible loan notes issued on December 10, 1999 at a conversion price of HK\$1 per share.

Furthermore, a total of 21,107,778 ordinary shares of par value HK\$0.1 each were issued to certain independent third parties in connection with the conversion of convertible loan notes issued on April 13, 2000 at a conversion price from HK\$1.50 to HK\$3.41 per share.

The Group's consolidated net borrowings amounted to HK\$89 million in contrast to the shareholders' equity of approximately HK\$380 million, resulting in a gearing ratio of 23% as at December 31, 2000.

### Prospects

With lower interest rate and stronger demand for consumer goods and housings, the construction market generally looks to be on the verge of steady recovery. The strategy of our construction business remains one of strengthening the cash flow position while cautiously seeking opportunities to participate in larger scale projects that can produce higher margins.

Looking ahead, our goal is to become a leading provider of high-capacity, high-speed and interactive broadband cable TV services in the PRC through CVN Group Inc.

### Acknowledgment

Finally, I take this opportunity to express my sincere thanks to all members, both past and present, of the Board and all the Group's staff for their hard work and valuable contribution during the year.

**Wang Hai Sheng**  
*Chairman*

Hong Kong,  
April 20, 2001