

CHAIRMAN'S STATEMENT

Business Review

Total turnover for the year amounted to HK\$13 million, representing a decrease of HK\$11 million or 46% over the preceding year. All business sectors of the Group recorded reduced sales. Turnover of computer-aided-design (CAD) software, machinery and property development recorded a decrease of HK\$6.2 million, HK\$2.2 million and HK\$2.5 million respectively over the previous year.

Fierce competition in the trade and ever decreasing selling prices of CAD software accounted for the substantial decrease in turnover of both CAD software and machinery.

The Group did not record any property sales for the year as a wholly owned subsidiary previously engaged in property development in China had been disposed of in August 1999.

Mainland China and North America, the two biggest markets for the Group's CAD software and machines, experienced a substantial decrease in turnover.

To minimize the Group's operating loss during the year, some subsidiary companies with persistent records of loss making in prior years were either closed down or disposed of at a profit. This produced a gain on disposal of subsidiaries for approximately HK\$2.5 million.

Net loss attributable to shareholders for the year amounted to HK\$14.2 million, an increase of HK\$4.58 million or 48% over last year. This unsatisfactory result was attributable to the ever decreasing turnover of CAD software with high gross margin.

Loss per share for the year was HK Cents 8.2, an increase of only 34% over the preceding year due to the increased number of issued shares of the Company during the year resulting from a placement of 31 million shares in September 2000.

Financial Position

Owing to persistent loss made by the Group over the past several years, the Group's liquidity and cash flow position weakened during the year. To improve the situation, the Company raised funds of approximately HK\$12 million from the stock market by placing 31 million of the Company's shares to independent third parties in September 2000.

To reduce the ever increasing operating loss of the Group, the subsidiary companies with persistent records of loss making were either disposed of or closed down. Surplus assets resulting from closure of the operations were disposed of to raise funds to cover the large operating loss sustained by the Group.

CHAIRMAN'S STATEMENT (CONT'D)

In late December 2000 the Company entered into a conditional agreement for the acquisition of three office units totalling 1,388 sq.m. at Chaoyang District, Beijing for HK\$25.68 million. HK\$12 million of the purchase consideration is to be satisfied by cash in the form of deposit and the remaining balance is to be satisfied by the issue of approximately 36 million shares of the Company. The agreement has subsequently been completed in June 2001. The property has been leased out and will generate an annual rental income before expense and tax of HK\$2.34 million starting 1 July 2001.

The large accounts receivable, prepayment and deposits totalling HK\$14 million at balance sheet date included the deposit of HK\$12 million for the acquisition of the office units in Beijing.

Prospects

As noted in the Interim Report to the shareholders, the Group has been unable to turn around the existing principal business activities into profitability though after several years of hard work and efforts. The board is exploring other new business and/or investments that will bring in a steady and recurring income to the Group.

LAM Pang

Chairman

Hong Kong, 20 July 2001