

OVERVIEW

Total revenue for the year ended 31st March, 2001 amounted to HK\$11 million, a decrease of 67% when compared with turnover of last year. The Group continues to streamline the non-profit making operations, especially in property investment business.

The Group incurred a loss for the year of approximately HK\$458 million. The previous corresponding period saw a loss of approximately HK\$230 million. Approximately HK\$16 million of the loss is attributable to the amortization of goodwill and intangible assets, as well as from the disposal of some fixed assets superfluous to the group's requirements. Approximately HK\$321 million of the loss is attributable to the impairment loss on goodwill arising from the acquisition of subsidiaries and associates.

Business Activity Review

Energy Saving Machine

As a result of the acquisition of an additional 12.5% in the shareholding of Legend Power Ltd. ("Legend Power"), the current shareholding structure of Legend Power is as follows:

- 50% owned by a wholly owned subsidiary of the Company
- 50% owned by Koga Limited, a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Ltd.

A factory for the production of the energy saving machines has now been established in Hong Kong with a capacity to produce approximately 2,000 machines annually.

In Hong Kong, a number of the electricity savings machines have been installed in the Jusco Department Stores and negotiations continue with other potential users.

In international markets, joint venture companies have been established for the British and Canadian markets. Negotiations continue in other international markets for the establishment of joint venture companies.

Property Investment

The company continues to streamline its property portfolio as it concentrates on the electricity saving machine business.

CashThrough International Ltd

The Group acquired 23.33% shareholding in the capital of CashThrough International Ltd. ("Cash Through"). CashThrough is a start-up application service provider based in Hong Kong, which provides a secure electronic payment processing services platform for the users worldwide through a self-developed system by using a product known as Internet CashCard. The technology to develop the system and to produce the CashCard is subject to a pending patent in the United Kingdom.

In early 2001, CashThrough signed a memorandum of understanding with Compaq Computer Limited for the purpose of exploring the debit payment market in China.

Advertising Agency

The Group is the exclusive advertising agent for Asia Channel of Macau Satellite TV Station ("MATV").

MATV has obtained the encrypted downlink rights from the relevant authorities in China at the end of 2000. MATV provides coverage to the whole of China and other countries and areas of the Asia Pacific region. The programmes will be mainly news, entertainment and "infotainment". The target viewers will initially be Chinese nationals. It is expected that commercial broadcast will commence later this year. There have been some delay in the roll out of the project and negotiations with the domestic television broadcasters are taking longer than anticipated.

Direct Investment

The Group acquired 5% shareholding in the capital of CAA Satellite TV Ltd. ("CAA Satellite"). This investment is intended to complement the Group's arrangement with MATV as CAA Satellite is one of the operators of MATV.

The Group acquired a 10% shareholding in Gene Bio-Tech Corporation Ltd. ("Gene Bio-Tech") for HK\$40 million. Gene Bio-Tech operates in the biopharmaceutical sector of biotechnology and drug industry and will develop and commercialize gene therapy products. The products are pending patent applications in China for two kinds of technology for the treatment of cancer. At present, the company is in the process of preparing various phases of clinical tests of several gene technology therapy products.

The Group had agreed to acquire a 5% shareholding in Full Result Investments Ltd, which indirectly holds certain interest in Beijing Asia Television City Company Ltd., another operators of MATV. This transaction was not completed and has resulted in a loss of HK\$14 million to the Group. It is not anticipated that the Group will incur any further loss from this transaction.

Financial Review

For the year ended 31st March 2001 the Group expanded its capital base through raising HK\$52 million from a subscription of 90,500,000 new shares in July, 2000. The net proceeds has been used to refinance the HK\$30 million acquisition of advertising agency right of MATV and HK\$22 million as general working capital of the Group.

From August to December, 2000, a gross proceeds of HK\$378.8 million was raised from issuing 7.5% convertible bonds. HK\$30 million has been used for acquisition of an advertising agency company, HK\$110 million for acquisition of 23.33% interest in CashThrough, HK\$104.9 million for acquisition of 12.5% interest in Legend Power, HK\$40 million for acquisition of 10% interest in a bio-tech company and the balance has been used as general working capital of the Group.

As at the end of March 2001, HK\$113.6 million of the 7.5% convertible bonds had been converted into ordinary shares in the Company leaving outstanding 7.5% convertible bonds in the amount of HK\$265.2 million. As a direct consequence, total debt increased from HK\$194 million to HK\$366.2 million. Financial expenses were reduced from HK\$34 million to HK\$30 million for the year under review.

Liquidity and Financing

As at 31st March, 2001, the Group's borrowings amounted to HK\$366.2 million. Of the total borrowings at the year end date, the maturity profile spread over a medium term period with HK\$55.9 million repayable within 1 year and HK\$310.3 million within 2 to 5 years.

All of the Group's borrowings was in Hong Kong dollar at year end and approximately 78% of the borrowings are fixed rate convertible bonds.

The Group's gearing ratio increased, calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK\$3.4 million) over shareholders' fund, at approximately 748% at the year end date.

Taking into account the present available credit facilities and internal resources of the Group, the Group has sufficient working capital for its present requirements in absence of unforeseen circumstances.

Contingent liabilities

As at 31st March, 2001, the Group provided HK\$9.5 million guarantees to financial institution in respect of credit facilities extended to a jointly controlled entity. The Company provided HK\$17.4 million guarantees to financial institution in respect of credit facilities extended to subsidiaries and a jointly controlled entity.

Charges on Assets

As at 31st March, 2001, certain assets of the Group amounting to HK\$10.5 million were pledged to banks for banking facilities granted to the Group.

Human Resources

The Group employed 36 employees at the year end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$9 million for the year. Remuneration packages are generally structured by reference to market terms, individual merits and performance.

PROSPECTS AND OUTLOOK

The Group will maintain a competitive business portfolio to cope with the current worldwide economic slowdown, with the focus on the manufacture of energy saving machines. Through joint venture with international strategic partners, we are committed to establishing ourselves as a leading competitor in global energy saving devices operations.

Chan Hung Lit, Simon

Chairman

Hong Kong, 19th July, 2001