RESULTS

The consolidated turnover for the Company and its subsidiaries (the "Group") has reduced to approximately HK$81.3 million (2000: HK$93.8 million), representing a drop of 13%. The Group has recorded a net loss of approximately HK$74.1 million (2000: profit of HK$3.6 million) due primarily to the provision for receivables for HK$36.4 million, the writing down of long term investment for HK$50.0 million and the additional amortization of intangible assets & depreciation of HK$2.7 million. Had it not for these "exceptional" items, the Company should be operating at an profitable angle.

The directors do not recommend the payment of a final dividend for the year ended 30th June, 2001 (2000: Nil).

REVIEW OPERATIONS

While the Group has gradually transited from the trading of electronic components to a premier regional internet/communication player, the progress is not as fast as anticipated due to certain external factors. Consequently, trading of electronic components remained the majority of the revenue vehicle. These factors, nonetheless, have all been gradually resolved. The trend is expected to reverse during the year 2001/2002 (see below) whereby contribution from internet/communication would predominate.

Geographically, Hong Kong remained the major market for the Group.

Apart from the electronic component trading operation, the Company's operation can be divided into the following area:

(A) Michael Lai Production Holdings Limited ("Michael Lai"): the promotion specialist for the PRC market

Michael Lai, 70% owned by the Company, encountered delay in the granting of the relevant operating license of its joint venture in Beijing, namely, Michael Lai Culture & Production (Beijing) Limited ("MLCPBL").

Avoid violating the PRC law, MLCPBL has started operation only in April 2001 when the certificate has been officially granted.

The patient, nonetheless, pays as Michael Lai is the 1st and so far the only one been granted the license with the owner's name – Lai Siu Tin registered as the company's name.

The business of Michael Lai Group is divided into the following categories,

a) *Revenue from the promotion of foreign artists in the PRC* – With the premier status of able to act as the middlemen for arranging foreign artists to perform in the PRC and in view of the market potential of the PRC market, we anticipate MLCPBL would progress strongly;

b) *Revenue from the promotion of rising talented stars in the PRC* – Suitable candidates have been identified and under training. They would be introduced to the market when deem appropriate;

c) *Advertising and promotion of clients' image in the PRC and Hong Kong* – Underway with effort being placed more aggressively lately. We consider this market has a vast potential in view of the continuous booming in the economy of the PRC market, especially after the entrance of the WTO in late 2001;

d) *Provision of training programs for budding artists in the PRC who demand overseas exposure* – Program and venue are under preparation, with the target of launching within the fiscal year 2001/2002;

Needless to say, Michael Lai has provided in-house promotion plan to the Group's other associates. Business of Michael Lai has started picking up and steady, and growing revenue is anticipated.

(B) Digital Nunet Exchange Ltd. ("Dnunet"): Internet Exchange Center with a different prospective of emphasis on valued added services

The Company has entered into a joint venture, 55% owned by the Company, with a preferred partner of China Telecom, Nunet Inc., in establishing data centers in Hong Kong, Shanghai and Beijing.

Different from the traditional model for data center which main stream of revenue is from server hosting, or de facto a machined real estate project, Dnunet's major revenue would be derived into 2 directions, namely,

a) *Internet Connectivity.* This, in terms, can be further divided into partitioning of bandwidth; professional services; and provision of related services. Crystallized on the connection with the relevant authorities, the PRC and Vietnam would be the 1st phase of emphasis. Dnunet has a definite advantage of ability to interconnect – interconnecting the various networks in the PRC, namely, China Telecom, China Mobile, Unicom, NetTong, and JetTong. The provision of China Connectivity would be followed by the provision of services to Taiwan and other major regional countries. Customers base is divided into carriers and SMEs, which depending on the amount of minutes they are looking for respectively; and

b) *ASP services.* Making use of the customers base, mainly the SMEs, of the Dnunet's affiliates in both Beijing and Shanghai (currently >10,000), Dnunet would provide a wide range of services. This ranges from the lowest level of server hosting (traditional service that a data center would provide) to a more sophisticated level of provision of ASP services to the customers. The range of products that can be provided varies according to the customers' specific requirement. As a "neutral" party without any obligation, Dnunet would charge the customer a handling fee while a commission would be rebated from the suppliers. With the increase demand of services from Dnunet, additional fee would be charged. Upon maturation, Dnunet would also deploy B2B and B2C models that interrelate the operations of its various customers. This would also facilitate the operation result of the Group's other investee companies.

Similar to Michael Lai, Dnunet has also encountered some delays in both negotiation and subsequent implementation. Operations at both Hong Kong and Shanghai have kicked off only in September and Beijing operation in October.

Since its kickoff, Dnunet has been able to conclude business with major carriers and reputed SMEs on the internet connectivity aspect. Dnunet is expected to market its ASP products to its potential customers starting mid-late October. Considerable revenue is anticipated for the fiscal year 2001/2002.

(C) Ancora Worldwide Limited ("Ancora"): the first mover in the Chinese WAP

Mission has been re-orientated to being a WASP after the acquisition of 100% interest in Ancora in view of the intensive competition in the ICP field.

Meanwhile, to generate revenue during this transition period and to capitalize on the expertise of key management, a securities analysis software has also been introduced and initial response is quite positive.

Correspondingly, the revenue of Ancora would be derived from the followings:

a) *providing technology and support for WAP-related mobile phone operation* – Progress is quite encouraging as Guangdong Mobile has signed a contract for the provision of captioned services;

b) *distributing the proprietary stock analysis software* – Already introduced to the market;

c) *advertising income from advertisers on its Chinese WAP portal* – Much decreased due to the competition and not so popularity of the GPRS and 3G;

d) *developing system for transactions in mobile commerce (m-commerce)* – This has been delayed due to the GPRS, not to mention the 3G, is still not that popular;

e) *developing a universal SMS platform that can inter-connect China Mobile and Unicom for inter-transmission of SMS* – Under progress.

Due to the delay in turning out of various products, Ancora did not contribute much to the Group. Though business outlook would depend largely on the successfully launching of the products and the acceptance of them, the Board is conservatively optimistic about the prospect in view of the initial market response.

(D) Riverhill Holdings Limited ("Riverhill", previously known as Beijing Spatial Port Network Technology Limited): the infrastructure builder

The Group has a minority interest in Riverhill that is involved in 5 "S" – GPS; GIS; RS; ISP; and SD. The business has progressed quite smoothly and Riverhill has listed in the GEM at the Hong Kong Stock Exchange in June 2001.

Due, however, to the diminishing interest in the hi-tech company, the valuation has much been lowered. On the other hand, the overwhelming response is very positive – a 120 times oversubscribed in the public offer. Yet, for prudent sake, a provision for diminution in investment has also been provided for this investment.

No contribution to the bottom of the Group is anticipated in view of the small shareholding by the Group.

LIQUIDITY AND CAPITAL RESOURCES

Along the year under review, the Group always had a strong liquidity position. As at 30th June, 2001, the Group had a cash and cash equivalent (including cash at bank and pledged deposit) of HK$120.4 million (2000: HK$59.0 million). Moreover, the Group had a net current assets balance of HK$177.0 million (2000: HK$89.3 million) and a current ratio of 30.55 (2000: 3.62). Gearing ratio that is expressed as a ratio of total liabilities and minority interests to shareholders' funds was only 0.025 (2000: 0.210).

As at 30th June, 2001, the net asset value of the Group is HK$237.6 million or HK$0.37 per share.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 68 employees as at 30th June, 2001. The Group's remuneration policies are in line with prevailing market practices and formulated on the basis of performance and experience of the employees. Salaries are reviewed annually based on performance appraisal and other relevant factors. Training is also provided to improve the caliber of the staff.

The Company maintains a share option scheme, pursuant to which share options are granted to directors and senior executives to provide them with incentive interest in the growth of the Group.

By order of the Board

LUM Chor Wah, Richard
Director

Hong Kong, 18th October, 2001