

CHAIRMAN'S STATEMENT

RESULTS

The loss attributable to shareholders for the six months ended 30th September, 2001 was approximately HK\$38.6 million compared with HK\$42.8 million for the six months ended 30th September, 2000.

The board of directors has resolved not to recommend the payment of an interim dividend for the six months ended 30th September, 2001 (2000: NIL).

(I) Business Activity Review

Energy Saving Machine

The Company is continuing to explore joint venture opportunities for the expansion of this business. The Company is conducting negotiations to establish a joint venture in the PRC. It is intended that the joint venture will establish a factory in Zhuhai, PRC in early 2003.

The Company's joint venture in Canada is in the process of offering a listing on the Canadian Venture Exchange ("CDNX") through a reverse takeover of Texas Gas & Oil Inc. listed on the CDNX. The reverse takeover is subject to shareholder and regulatory approval.

Property Investment

The Company has disposed all existing properties held for resale in the period which generated HK\$1.2 million revenue, but still maintains some investment properties in Hong Kong and PRC.

(II) Financial Review

In May 2001, the Company completed a capital reorganisation which comprised a share consolidation of every 20 shares of HK\$0.10 each into one new share of HK\$2.00 each, a capital reduction of nominal value HK\$2.00 each to consolidated share of HK\$0.01 each, a share premium cancellation of some HK\$444.3 million and a cancellation of authorised share capital from HK\$680 million to HK\$200 million. The capital reorganisation provided greater flexibility to the Company for the issue of new shares.

In June 2001, the Group expanded its capital base through raising HK\$7.35 million from a placing of 14,500,000 new shares. The net proceeds have been used as general working capital of the Group.

In August 2001, the Group raised HK\$10.4 million from an open offer of 45,785,570 new shares. The net proceeds have been used as general working capital of the Group.

Liquidity and Financing

As at 30th September, 2001, the Group's borrowings amounted to HK\$365.2 million. Of the total borrowings at the period end date, the maturity profile

spread over a medium term period with HK\$103 million repayable within 1 year, HK\$213.8 million within 2 to 5 years and HK\$48.4 million over 5 years. All of the Group's borrowings were in Hong Kong dollar at period end and approximately 79% 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\$0.9 million) over shareholders' fund, at approximately 1,180% at the period 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 the absence of unforeseen circumstances.

Contingent Liabilities

As at 30th September 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\$17.8 million guarantees to financial institution in respect of credit facilities extended to subsidiaries and a jointly controlled entity.

Charges on Assets

As at 30th September 2001, certain assets of the Group amounting to HK\$11.2 million were pledged to banks for banking facilities granted to the Group.

(III) Human Resources

The Group employed 36 employees at the period end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$4.5 million for the period. Remuneration packages are generally structured by reference to market terms, individual merits and performance.

PROSPECTS AND OUTLOOK

The period under review has been characterised by the improving results of the energy saving machine business. The Company has already identified a strategic partner who has extensive distribution network and business connection in China. The directors are confident that the business will be successful in capturing the mainland China market and will continue to explore the international markets.

AUDIT COMMITTEE

The Group's interim report for the six months ended 30th September, 2001 was unaudited, but has been reviewed by the Audit Committee.

By Order of the Board
Chan Hung Lit, Simon
Chairman

Hong Kong, 14th December, 2001