

Chairman's Statement

PROFIT FOR THE YEAR

The Group's audited consolidated net profit after taxation for the year ended 31st December, 2001 amounted to HK\$32,738,000. Earnings per share were 6.41 cents.

DIVIDEND

The Board recommends the payment of a final dividend of 2.50 cents per share, payable to shareholders whose names appear in the Register of Members of the Company on 5th June, 2002. This dividend, together with the interim dividend of 1.50 cents per share already paid, will make a total distribution of 4 cents per share for the full year. Subject to shareholders' approval at the Annual General Meeting, warrants for the final dividend will be posted on 12th June, 2002.

CLOSURE OF REGISTERS

The Register of Members of the Company will be closed from Monday, 3rd June, 2002 to Wednesday, 5th June, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Friday, 31st May, 2002.

BUSINESS REVIEW

Electric Fans: Ceiling Fans and Table Fans

Sales of the Group's electric fans increased in year 2001 over last year. Although sales of ceiling fans were affected by the economic slowdowns in both the American and European markets, there were increasing demands coming from the Middle East and African markets. It is expected that sales would increase following the economic recovery in the United States. The Group has continued to develop new markets, design new models for satisfying market demands and for achieving more reasonable profit margins. Sales of table fans had been steady with most of the orders coming from the North American market. The Group had controlled costs further under keen market competition for maintaining its profit margin. The new models developed during the year are expected to enhance our market share going forward.

Household Vacuum Cleaners

The Group had successfully launched two advanced bag-less vacuum cleaners in the second half of year 2001. The unit selling prices were reduced due to keen market competition. Additional cost cutting measures will be implemented in year 2002 for achieving breakeven position.

Cable Business

Results for Guangdong Macro Cables Company Limited, in which the Group has significant investment, were below expectation due to price reduction under over supply market condition. The company is endeavored to further the asset reorganization process for achieving the desired level of cost control and to improve product quality and develop new items to increase sales.

Stainless Steel Welded Tubes Products

Unexpected poor performance was recorded in Shunde Hua Feng Stainless Steel Welded Tubes Limited, in which the Group holds 90.1% equity interest, as a result of the market being flooded with low grade welded steel tubes. Both the unit price and turnover were adversely affected. Following China's entry into the World Trade Organization, this company's business performance is expected to improve due to more stringent requirements placed by overseas investors on stainless steel welded tubes products.

Steel Processing and Steel Trading

As the general steel trading business continued to be depressed, customers' orders received by the Group's 70% joint venture steel-processing factory with Shinsho Corporation of Japan in Huang Pu in mainland China decreased during the year. Keener competition was encountered in the steel processing business. Results for the year were less favorable than those of last year as a result of the above adverse factors together with the significant reduction in steel prices during the year. Faced with falling prices, many steel manufacturers were withholding production to prevent prices falling further and it is expected that sales will improve next year.

Taxi Operations

After taking over of minority interest in year 2001, the Group now holds a 95% equity interest in Guangzhou SMC Car Rental Company Limited. The company currently owns over 500 taxi licenses. To cope with business development requirement, the company had set up a new repair center for servicing its taxi fleet.

Real Estate Investment & Development

Successful reorganization of the management resulted in a satisfactory increase in the rental income in year 2001 generated from both the offices and shopping premises of CITIC Plaza in Guangzhou in which the Group holds 20% equity interest. The management will continue to improve the property appearance for enhancing rental income.

Steady income was received during the year from the 30,000 square meters of high tech industrial building wholly owned by the Group in Mainland China.

Phase II of 110,000 square feet of office premises located at Livermore in California United States had been completed on time. A major tenant leasing 75% of the premises had already moved in. There was only 10% vacancy left for the entire 240,000 square feet complex. It is expected that increasing rental income will be generated both from the remaining space in year 2002 together with upward rental revision on the leasing contracts for the phase I premises.

Liang Xing Highway

The Group holds a 52% interest in Shunde Shunyue Highway Construction Ltd., the owner and operator of Liang Xing Highway, a grade one highway toll road in Shunde in mainland China. Average daily traffic of 18,500 vehicles was recorded in year 2001, representing an 11% increase over 16,600 vehicles recorded in year 2000. This resulted in a 17% increase in toll income and we expect stable increase in toll income for year 2002.

Technology Investment Projects

Internet Server

The Group had reorganized the asset structure of the company providing internet server service and now owns most of the intellectual assets of this company. The Group also relocated the development and operation center to Shenzhen in mainland China for reducing costs and shortening the development cycle of the new generation products. The super internet server maintained at the data center of Pacific Century Cyberworks had started generating income to the Group while agreement had been entered into for another server with a smaller capacity for providing leasing and consultancy services in Guangzhou with revenue to be generated from mid of year 2002.

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SI and Software Development

Singapore listed Frontline Technologies Corporation Ltd. ("Frontline") had invested in the Group's 41% owned associate, Hong Kong based Modern Devices (China) Limited ("MDCL"), applying a premium valuation at two times the initial investment cost. The investment was completed by the end of year 2001 and the Group had also exchanged a portion of its original holding of MDCL shares to Frontline for 6,217,537 shares in Frontline. The Group now holds about 30% of the enlarged share capital in the reorganized new company MDCL-Frontline (China) Limited.

Broadband Communication IC

The Group continues to hold investment in Rainmaker Technologies, Inc, a company incorporated in the United States. To improve operating efficiency and development, this company was relocated to Panasonic Digital Concepts Center's development center at Silicon Valley. The company is still in the research and development stage and is under discussion with potential interested parties and investors for continuing the development of communication related IC.

Electronic Integrated Rectifier Chips

The Group holds investment in a company specialized in the development of electronic integrated rectifier chips in the United States. The company had completed the development of its proprietary product in year 2001 and is expected to market such product in the second quarter of year 2002. Meanwhile, the company is developing a high voltage version to cater for users of high voltage direct current.

Software to expedite Internet Software Migration

The Group had increased its investment during the year in the company developing "webification" software. This company had successfully developed the new generation enhanced software enabling automatic migration of corporate legacy ERP software to web based ERP software automating upto 80% of the required workload. The advance technology developed by this company had been recognized in the Silicon Valley in that Forrester Research considered the company to be one of the few pioneers in re-shaping the internet industry. Demo 2001 Conference invited the company to present its technology. Meanwhile, the company had relocated the research and development center to Shenzhen for more effectively employing talented people in China and had been discussing with an international software development tool company for opportunities in business cooperation.

Securities Investment

It had been a very difficult year for securities investment given the fact that indexes of all the major markets were down by about 20%. The Group's investment portfolio in securities also recorded a loss of HK\$29,543,000. At the end of 31st December, 2001, the Group's holding of listed investment securities amounted to HK\$148,927,000. With the outlook of prevailing low interest rate environment and the economic recovery in the United States, the global stock markets will show a better performance and we expect that the Group's investment portfolio would also benefit and increase in value.

By Order of the Board

YUNG YAU

Chairman

Hong Kong, 18th April, 2002