

Management Discussion & Analysis

Results

For the year ended 31 December 2001, the Group recorded a turnover of HK\$143,366,000, representing a rise of 264% compared with the figure of HK\$39,430,000 in 2000. Profit attributable to shareholders also increased 144% from HK\$7,024,000 in 2000 to HK\$17,155,000 for the year under review. Earnings per share were HK1.47 cents. (2000: HK1.32 cents)

The company's principal activity is investment holding while its business comprised of property investment and development, environmental protection, finance, information technology development and other investment activities.

BUSINESS REVIEW

Overview

2001 was a remarkable year for the development of the Group. Despite the general downturn in the global economy, we were able to achieve spectacular results in the review year. Turnover recorded an impressive growth of 264% to reach HK\$143,366,000 while net profit also surged 144%, reaching HK\$17,155,000.

These impressive results were brought by our aggressive mergers and acquisitions ("M&A") during the year. As at the report date, the total investment as well as M&A projects amounted to approximately HK\$397 million. These newly acquired businesses not only broadened the Group's asset base and strengthened our investment portfolio, but also opened up more income sources for the Group's future growth. The year also witnessed another important corporate development of the Group as we officially entered the environmental protection business in Hong Kong and China. With such strategic moves, we have made a big step forward towards our goal of becoming a well-established conglomerate in South East Asia.

Besides, during the year, the Group has successfully raised HK\$205 million by way of placement and subscription of shares. As at the report date, a total of 876 million new shares have been issued.

Property

The Group's investment portfolio consists of commercial, industrial and residential premises across Malaysia, China and Hong Kong. During the year, it recorded satisfactory turnover growth, rising 55.7% to reach HK\$16,942,000 (after intersegment elimination) and accounted for 12% of the Group's total turnover.

China

2001 marked an important milestone for the Group's expansion in China's property market, as we formed a joint venture with Beijing XiCheng Housing Construction Development Company in September 2001, to jointly develop properties at XiCheng District in Beijing. Phase I of the project located at Feng Sheng Area (Area B) is about 20,045 square metres, with a total buildable floor area above ground of approximately 44,880 square metres. The development project costs RMB360 million and is expected to be completed in 2003.

The commercial premises and car parks owned by the Group at Hanzhong Guangchang, Shanghai has achieved satisfactory occupancy rate and has made a stable contribution to the Group's recurrent income for the year under review.

Malaysia

Pioneer Heritage Sdn. Bhd. ("Pioneer") is one of the Group's subsidiaries engaging in property investment, with a particular focus on letting out retail shoplots in Johor Bahru. During the financial year, the Hypermarket developed by Pioneer recorded impressive performance, which contributed satisfactory returns to the Group. In view of the promising growth potential of the business, the Group acquired an extra 15% interest in Pioneer at a consideration of HK\$18,013,000 during the year, bringing our total equity interest to 70%.

This year also saw the Group's 100% acquisition of Dual Aim Sdn. Bhd. ("Dual Aim") which mainly engages in property investment with a special focus on the development and sale of commercial and residential units. During the year, Dual Aim was involved in a housing project in Johor Bahru, which successfully brought in promising returns to the Group.

During 2001, a residential housing project in Melaka proceeded as scheduled. We expect this project, comprising 11 bungalow lots, 15 two-storey shoplots and 316 double-storey terrace housing lots, to be completed this year, which will make positive contributions to the Group in the years to come.



Hong Kong

The property investment of the Group spread includes commercial, residential and industrial buildings in Hong Kong. In 2001, the occupancy rate of the Group's properties, including top grade office, industrial and residential premises over 90% and contributed stable returns for the Group.

Environmental Protection

Environmental protection was a new business area for the Group. After several acquisitions during the year, we are confident that this business will grow rapidly and will help drive the future growth of the Group.

Hong Kong

As at the year end date, the Group holds a 20.25% interest in Grandy Applied Environmental Technology Corporation ("Grandy") which provides pollution-combating solutions, such as the monitoring of indoor air quality, waste water treatment and the sale of energy-saving products in Hong Kong. Besides, Grandy also owns the exclusive worldwide distribution rights (except North America, Japan and Korea) for an organic environmental product which originated from Japan.

China

During the review year, the Group acquired a 50% interest in China Anti-Flooding System Monitor Limited which develops and sells flood monitoring systems with telemetry capabilities. Additionally, this subsidiary has the assistance of researchers and professors from Peking University in the provision of hydrology services in the PRC. Apart from the above acquisition, the Group also acquired a 50% interest in China Environmental System Monitor Limited which engages in the development and sale of air and factory waste pollutant detection and pollution monitoring systems in China. With these strategic acquisitions, the Group has further diversified its businesses and added additional growth driver for its future development.

Finance

As at the year end date, the finance arm of the Group recorded a decrease in profit as compared to last year.

Owing to the sluggish economy and the volatility of the stock market in the past financial year, the local finance sector is inactive. This was mainly attributable to the drop in profit of the Group's 80% owned brokerage firm Coin Fall Limited.

In the year under review, the Group acquired a 100% interest in Genesis Strategic (Holdings) Limited ("Genesis"). Genesis provides comprehensive financial services, including fund management, securities dealing, investment advisory and corporate finance services. This move has further facilitated our goal to become a one-stop financial institution. As the economy is already on the road to recovery, we believe that Genesis will present a strong growth driver for the Group once the market rebounds.

Information Technology

The Group's information technology ("IT") portfolio which consists of educational software development, the provision of multimedia training, as well as the trading of computer products and related accessories in China, Hong Kong and Singapore, recorded an impressive turnaround. These encouraging results were due in part to the pressing need for the region to equip itself for the challenges of today's knowledge-based economy as well as increasing computerization in China. Under the review period, this section of the business accounted for the turnover of HK\$111,668,000 (after intersegment elimination).

During the year, the Group acquired a 60% interest in Xswim (Holding) Limited ("Xswim"), which provides wireless broadband services in China and trades in a wide range of hardware products in Hong Kong. With an established client base in China and Hong Kong, Xswim made significant contribution to the Group's IT investment and generated a turnover of HK\$99,116,000 in 2001.

The Group's multimedia training centre in Central also recorded a high occupancy rate of over 90% and contributed a stable income stream for the Group during the year under review.

The year also saw the Group's acquisition of a 30% interest in Human Online.Com Limited, which provides financial and corporate management services. With this acquisition, our existing core businesses in finance were further consolidated and our income base strengthened.

On 31 December 2001, the Group disposed 50% equity interest in Great Win Int'l Ltd ("Great Win") to an independent third party at a consideration of HK\$25,000,000. Great Win is principally engaged in IT trading in Singapore and develops educational software for Singapore schools. Owing to narrowing profit margin and increased level of competition, the Group decided to withdraw from this business to maintain the best investment returns.

Financial Review

During the past financial year, the Group maintained a healthy financial position with HK\$39 million cash on hand as at end of year. Total bank borrowings amounted to HK\$153,180,000, which were mainly secured by mortgages on the Group's land and buildings, investment properties and time deposits. As at 31 December 2001, the current ratio and the gearing ratio were 2.06 and 0.28 respectively while that ratio as at 31 December 2000 were 1.47 and 0.24.

Since the Group's businesses spread across Hong Kong, China, Singapore and Malaysia, its income and expenditure are mainly denominated in HKD, RMB, SGD and MYR. As the impact of the Asian financial crises is now diminishing, fluctuations in exchange rates on the Group is insignificant.

Prospects

Entering 2002, China will undoubtedly play an increasingly important role in the global economy. With its spectacular GDP growth of over 7% last year and its continuously rising standards of living, China presents a market with tremendous opportunities. As a member of the World Trade Organization, restrictions on the development of and investment in China's businesses are expected to be further relaxed. As a management with vision, we have already commenced a property project at XiCheng Beijing, which is expected to be completed next year. In view of China's hosting of the Olympic Games in 2008, we believe this project will present a lucrative opportunity in driving the growth of the Group. During the review year, we also successfully penetrated into the environmental protection business in Hong Kong and China, opening up a new income source and paving the way for the future growth of the Group.

Subsequent to the reporting period, the Group placed 100,000,000 existing shares at HK\$0.32 per share to New Profit Investment Limited, (“New Profit”), a wholly owned subsidiary of Beijing Enterprises Holdings Limited (“Beijing Enterprises”) (stock code: 392). The introduction of New Profit as a strategic partner is an important corporate move for the Group. Backed by Beijing Enterprises, New Profit will contribute significantly to the expansion of the Group’s businesses in property investment and development, environmental industries, finance and information technology. As Beijing Enterprises maintains a diversified business portfolio in China, it will definitely present a plenty of room for mutual co-operation in the future.

On the other hand, Hong Kong’s economy has yet to fully recover from the economic slowdown experienced in the past few years. But with its unique geographical location and politico-economic ties with China, it is the gateway through which foreign investors open up markets in China. This in turn presents a surging demand for services provided in Hong Kong, which will undoubtedly bring in ample opportunities for the Group’s IT and financial services in the future.

With a year of aggressive acquisitions, the Group will be dedicated to consolidating and integrating its businesses in the coming year to maximize its synergies in the different business sectors. With our solid financial foundation, we will also actively seek further expansion opportunities to consolidate our position as a leading multinational conglomerate in Southeast Asia.