

**FINANCIAL RESULTS**

For the year under review, the Group recorded a turnover of HK\$126,817,000, 11% down from the previous year. This was mainly due to the disposal of various investment projects as a result of a re-organization of its portfolio. Discontinued operations of the coking plant and the automobile repair and maintenance business have lowered their contribution to the Group's total turnover. Loss from operations improved from last year's HK\$78,132,000 to this year's HK\$49,439,000. This was mainly due to effective control of administrative expenses. Together with the absence of substantial impairment losses during the year as opposed to the previous year, net loss for the year was significantly reduced to HK\$76,302,000 (2000: HK\$425,420,000). Loss per share was reduced by 85% to 2.86 HK cents (2000: 19.53 HK cents).

**REVIEW OF OPERATIONS**

The management's objectives during the year were to continue to strengthen the financial position and to restore profitability through the restructuring of its portfolio.

To achieve these objectives, the Group made certain initiatives to dispose of existing assets. This included the disposal of the entire interest in a wholly owned subsidiary Excellent Idea Group Limited. The Group was able to book a profit of HK\$11,618,000 and realized net proceeds of HK\$67,800,000 from the disposal. This allows extra funding for the Group's general working capital and strategic investments. In addition, the Group also disposed of its coking plant project and automobile repair and maintenance service businesses in the PRC. These strategic moves aim to enhance the Group's liquidity position, setting the foundations to promote growth.

Notwithstanding the significant improvements in the Group's financial position, the management continued to press on with necessary actions and legal proceedings to recover outstanding guaranteed income from industrial projects including the coking plant and the power plant.

To transform potential into solid returns, the Group further acquired the remaining 55% equity interest of Sharpo Holdings Limited ("Sharpo"). In view of the tremendous demand for mobile retail management solutions in the PRC, the management regards this full control of business as an essential step to facilitate its development and expand market share. Sharpo is engaged in the software development business and has established relationships with some of the leading retail brands in the PRC. Sharpo is planning to expand its web-based retail management solutions business to offer wireless Internet access through personal digital assistance.

Running in parallel, the Group will continue to undertake negotiations to dispose the remaining industrial projects. This is expected to further improve the Group's liquidity position.

**PROSPECTS**

The corporate repositioning in preceding years has helped to enhance the Group's asset quality. On the other hand, the management regards the current conditions prevailing in the telecommunications and hi-tech sectors as part of a temporary cycle. As such, the Group's focus will continue to be on telecommunications infrastructure and hi-tech related businesses.

The PRC's accession to WTO will significantly stimulate the demand for innovative web-based network solutions. The management is confident that Sharpo will ride on this surging demand to expand its existing markets and cover new areas in the Greater China region. With promising demand, the management is optimistic that Sharpo will achieve exponential growth and generate positive contributions to the Group in the coming year.

Given the steady demand for quality high-speed data transmission in the PRC, the management maintains its positive outlook on its telecommunication infrastructure investment. The Group is committed to maximizing its value and will remain open to the development of this business.

2002 is expected to be a year of opportunity for the Group and the management is determined to see business move forward. To achieve this goal, the Group will seek to expand both through organic growth and possible acquisitions. The development of the business is expected to gain pace with additional cash injections upon asset disposals.

Notwithstanding the Group's determination to restore performance, the management remains cautiously optimistic with a prudent expansion strategy. The Group will remain vigilant to market changes whilst investigating strategies to support and enhance its core business.

#### **EMPLOYEE AND REMUNERATION POLICY**

Total employment costs for the year ended 31st December, 2001 excluding directors' remuneration, amounted to approximately HK\$13,217,000 (2000: HK\$15,278,000). This basically reflected the employment costs before the Group disposed of the coking plant and the automobile repair and maintenance business, which employed a total of 585 people, in December 2001. As at 31st December, 2001, the Group's number of employees was reduced to 40 people after the disposals. This will allow substantial savings in staff costs which will be reflected in the coming financial year. Under the Group's remuneration policy, employees are rewarded by reasonable and competitive remuneration on a performance-related basis. In addition, the Group has a share option scheme for senior executives and staff.

#### **LIQUIDITY AND FINANCIAL RESOURCES**

Following the disposal of certain industrial assets during the year, the Group's liquidity position continued to improve. As at 31st December, 2001, cash on hand was reported at HK\$40,860,000 and net asset value was reported at HK\$241,129,000, lower than the level of the previous year because of a number of disposal. The Group's current and quick ratios were reported at 4.51 and 4.4 respectively as at year end while the gearing ratio further improved to 0.16. The cash position is expected to improve further upon receipt of proceeds from done disposals and further disposal of assets, allowing the Group to seize appropriate investment opportunities.

Further, as at the balance sheet date, the Group has operating lease commitment of HK\$10,999,000. This commitment includes operating leases in respect of office premises and staff quarter with a term of up to 3 and 4 years respectively. The Group has no other significant capital commitments and contingent liabilities for any of its subsidiaries or associates. There was also no material change in capital structure and pledge of assets of the Group during the past year.