

Results

For the year ended 31 December 2001, the Group's turnover and net loss for the year were approximately HK\$47 million (2000: HK\$84 million) and HK\$199 million (2000: HK\$82 million) respectively. Loss per share was HK22.3 cents (2000: HK14.5 cents).

Dividend

No interim dividend was paid during the year (2000: Nil). The Board of Directors does not recommend the payment of a final dividend for the year (2000: Nil).

Business Review

During the first half of 2001, the Hong Kong economy showed signs of bottoming out, however, the September 11 incident in the United States dealt a heavy blow to the worldwide economy, pulling the Hong Kong economy back into a recession. The impact on the construction industry was one of the most severe. As a result, we recorded a decrease of 43% in gross turnover in the Hong Kong construction business to HK\$29 million for the year 2001.

In addition, the decrease in revenue for the year was also attributable by the disposal of Reach Video Production Co. Ltd ("Reach Video"), which was engaged in the production of television programs and advertising commercials in Taiwan. Only six months' turnover for Reach Video amounted to HK\$12 million, were included in this year's turnover as compared with HK\$25 million revenue for the whole of year 2000. Construction contract costs mainly represent direct materials and subcontracting costs for construction projects.

General and administration expenses decreased sharply from approximately HK\$63 million in 2000 to approximately HK\$42 million in 2001 due to cost saving measures introduced during the year. These expenses include staff costs, professional fees, consultancy fees and general administration expenses. The directors will continue to control the overheads of the Group in line with the level of its business activities.

In order to contain the losses generated from loss making businesses, we disposed of a number of investments during the year for total considerations of approximately HK\$64 million resulting in losses on disposal of approximately HK\$84 million. These disposals were necessary to avoid further losses arising from these businesses in the future.

The Company acquired Cyber Energy Inc. ("Cyber Energy") late last year for a total consideration of HK\$203.8 million, paid as to HK\$2 million in cash and HK\$201.8 million in redeemable debentures. 深圳安網達網絡技術有限公司, the 60% subsidiary of Cyber Energy is principally engaged in the development, production and sale of computer hardware and software, internet security system, computer network solutions and the related technology, equipment, facilities and products which will comprise, amongst others, Network Safety Computer, Network Safety Separation Card, Network Safety Separation Selection Appliance, Single-Wiring-System Separation Control Card, Double-Wiring-System Separation Control Card and the provision of after sales services. The aforesaid internet-secured personal computer and devices can safeguard the personal computers from information leakage to, and virus or hacker attack from the internet by cutting the physical connection between the personal computers and the internet.

Business Review (Cont'd)

The Directors are positive about the potential growth of the security related business in the high-technology industry. We believe that the acquisition presents a good opportunity for the Group to diversify into the technology and internet-related field. Details of this transaction were dispatched to shareholders in a circular dated 21 September 2001.

Subsequent to the year end, the Company acquire a 50% interest in Great Win International Limited ("Great Win") for an aggregate consideration of HK\$36 million. Great Win's wholly owned subsidiary, Intwell Technology (S) Private Limited ("Intwell") is principally engaged in the development, production and sale of computer hardware and software, integration of computer software and provision of training and after sales services. Intwell specialises in designing products for schools, educational institutes and professional training centres to streamline school administration and management in Singapore. Intwell is now exploring markets in both the People's Republic of China and Malaysia. Details of this transaction were dispatched to shareholders in a circular dated 27 February 2002.

Liquidity and financial resources

(a) Share Placements

During the year, the Company has successfully completed four placing of shares and a total of 742.5 million ordinary shares of par value HK\$0.1 each were issued. As a result of these share placements, the Company generated net proceeds of approximately HK\$84 million. We are of the view that the Group has adequate working capital to meet its current requirements.

(b) Redeemable debentures

On 27 November 2001, the Company issued redeemable debentures in the aggregate amount of HK\$201.8 million as part consideration for the acquisition of Cyber Energy. These debentures bear interest at 6% per annum with maturity date three years from the date of issuance. If the debentures are redeemed in whole or in part within one year from the date of issuance, no interest will be payable on the parts that are so redeemed.

(c) Convertible loan notes

On 10 December 1999, the Company issued convertible loan notes in the aggregate amount of HK\$181.9 million as consideration of acquisition of certain subsidiaries. These convertible loan notes bear interest at 5% per annum and are repayable in one lump sum after three years from the date of issuance or convertible into shares of the Company at the conversion price of HK\$1 at any time after the date of issuance. If the convertible loan notes are redeemed or converted in whole or in part within one year from the date of issuance, no interest will be payable on the part that are so redeemed or converted.

There was no conversion of convertible loan notes during the year. The aggregate amount of the convertible loan notes outstanding as at 31 December 2001 was HK\$10 million.

Liquidity and financial resources (Cont'd)

(d) Gearing ratio

The Group's consolidated total liabilities less cash on hand amounted to HK\$124 million (2000: HK\$89 million) in contrast to the shareholders' equity of HK\$230 million (2000: HK\$340 million), resulting in a total liability ratio of 54% as at 31 December, 2001 (2000: 26%). The increase was mainly due to the issue of redeemable debentures on the acquisition of Cyber Energy and the operating loss for the year.

(e) Finance cost

Interests on the Group's borrowings were based on normal commercial interest rate for bank loans and overdrafts, redeemable debentures and convertible loan notes as well as finance leases.

Exchange rate risk exposure

Most of the Group's transactions were in Hong Kong Dollar and Renminbi. As the exchange rate of Renminbi against Hong Kong Dollar was relatively stable during the year. We were not exposed to any significant exchange risk in 2001.

Contingent liabilities

As at 31 December 2001, there were contingent liabilities in respect of the letters of indemnity for certain insurance companies of approximately HK\$24.5 million and some legal claims of approximately HK\$8.2 million from customers or sub-contractors. We considered the outcomes of these issues were remote and uncertain, we concluded that there were no significant contingent liabilities for the Group.

Pledge of assets

The bank loan facilities utilized by the Group's subsidiary were secured by fixed deposits of a subsidiary of approximately HK\$15.8 million (RMB16.5 million) as at 31 December 2001.

Employees

As of 31 December 2001, the Group had approximately 20 employees. The Group established a share option scheme for executive directors and employees so as to motivate them to achieve the Group's business performance targets.

Prospects

The year 2002 will remain a difficult year for Hong Kong but it is expected that the economy will start to improve in the second half of the year due to the beneficial effect of the low interest rate environment worldwide. We expect the construction market will turn its corner later in the year which will bode well for the recovery of our construction business. In addition, we expect positive contributions from our investments in Cyber Energy and Great Win.

We will continue our review of all existing operations of the Company with a view to streamline operating costs and dispose of investments not generating satisfactory returns for our shareholders. We will also look for other opportunities that will produce returns above our cost of capital.

ACKNOWLEDGMENT

Finally, I take this opportunity to express my sincere thanks to all members, both past and present, of the Board and all the Group's staff for their hard work and valuable contribution during the year.

Cheung Doi Shu

Managing Director

Hong Kong, 24 May 2002