

OVERVIEW

Total turnover for the year ended 31st March, 2002 amounted to HK\$7.4 million (2001: HK\$11.1 million), a decrease of 33.5% when compared with the turnover of last year. The decrease was primarily due to a reduction in trading of marketable securities and property rental income. On the other hand, the revenue generated from energy saver business was a positive contributor for the year.

The Group incurred a loss for the year of approximately HK\$295.6 million (2001: HK\$458.4 million), representing a decrease of approximately 35.5%. The Group continued to adopt a prudent approach in valuation of assets and approximately HK\$207.9 million impairment loss of intangible assets, goodwill and diminution in value of investment in securities was recorded.

(I) Business activity review

Energy saving machine

The turnover from energy saver business amounted to HK\$4.3 million. The Company received a favourable response from the PRC and North America markets and the Directors are confident that the demand will become significant in the near future.

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 2003.

The Company's joint venture in Canada is in the process of obtaining a listing on the TSX Venture Exchange through a reverse takeover of Texas Gas & Oil Inc.. The reverse takeover is subject to shareholders and regulatory approval.

Property investment

The Company has disposed all existing properties held for resale during the year which generated HK\$1.2 million turnover, but still maintains some investment properties interests in Hong Kong and PRC at 31st March, 2002.

The Group has been engaged in property development and investment for a number of years. After reviewing the current property market, the Directors believe that the prevailing property price represents a substantial discount to the price in 1997 and further downward adjustment in property price are not anticipated. As such, the Directors consider that it is an appropriate time to acquire properties for long term investment purpose.

In January 2002, the Group entered into acquisition agreements to acquire the following properties:

1. The whole of 1st Floor, 3rd Floor, 4th Floor (including the Flat Roof thereof), 5th Floor, 7th Floor, 8th Floor, 9th Floor, 10th Floor, 11th Floor and Car Parking Space No. 25 on Ground Floor, Chung Kiu Godown Building, Nos. 63-71 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.
2. Shop G on Ground Floor (including the Cockloft thereof) and the whole of 1st, 2nd and 3rd Floors, Golden Hall Building, Nos. 49-63 Castle Peak Road, Yuen Long, New Territories, Hong Kong.
3. Flats A and B on 4th Floor (each including Flat Roof thereof) and Roofs A and B, Golden Hall Building, Nos. 49-63 Castle Peak Road, Yuen Long, New Territories, Hong Kong.

An aggregate annual rental of HK\$7.2 million are expected to be generated from the above properties. Completion of the acquisition will take place in the third quarter of 2002.

(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 of HK\$2.00 each consolidated share to HK\$0.01, 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 by raising HK\$7.35 million from the placing of 14,500,000 new shares. The 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 proceeds have been used as general working capital of the Group.

From October to December 2001, HK\$269.8 million was raised from issuing new non-interest bearing convertible bonds due 2004 ("Convertible Bonds A"). From the amount raised, HK\$241.2 million has been used to purchase convertible bonds due 2002; HK\$17.3 million has been used for payment of interest accrued on the convertible bonds due 2002 and the balance has been used as general working capital of the Group.

In November 2001, the Company issued HK\$67 million non-interest bearing convertible bonds due 2004 ("Convertible Bonds B") at an issue price of HK\$63.6 million to Hutchison International Ltd. to settle the then existing borrowing from, and bonds held by, Hutchison group.

In December 2001, the Group raised HK\$3.06 million from a placing of 28,200,000 shares. The proceeds have been used as general working capital of the Group.

In January 2002, the Group raised HK\$6.6 million from a placing of 53,900,000 shares. The proceeds have been used as general working capital of the Group.

In March 2002, the Group raised HK\$7.5 million from a placing of 73,400,000 shares. The proceeds have been used as general working capital of the Group.

Liquidity and financing

As at 31st March, 2002, the Group's borrowings were reduced to HK\$352.2 million (2001: HK\$366.2 million). Of the total borrowings at the year end, the maturity repayment profile is for HK\$10.7 million repayable within 1 year, HK\$289 million within 2 to 5 years and HK\$52.5 million over 5 years. All of the Group's borrowings were in Hong Kong dollar at year end and approximately 83% of the borrowings were fixed rate convertible bonds.

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 absence of unforeseen circumstances.

Finance costs for the year ended 31st March, 2002 were reduced to HK\$28.4 million (2001: HK\$30 million). The decrease is mainly attributable to the reduced interest expenses incurred for the Convertible Bonds A and Convertible Bonds B issued in late 2001.

Contingent liabilities

As at 31st March, 2002, the Group provided HK\$9.5 million guarantees to a financial institution in respect of credit facilities extended to a jointly controlled entity.

Charges on assets

As at 31st March, 2002, certain assets of the Group amounting to HK\$9.3 million were pledged to banks for banking facilities granted to the Group.

(III) Human resources

The Group employed 42 (2001: 36) employees at the year end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$8.8 million (2001: HK\$9.1 million) for the year. Remuneration packages are generally structured by reference to market terms, individual merits and performance.

OUTLOOK

The Company is determined to continue to deliver improving results from its core energy saver business and explore and capitalise on opportunities in the PRC and North America. Efforts will be dedicated to sharpening efficiencies and improving the Company's capital structure for the benefit of its shareholders. The Directors believe that the Company is strongly positioned for long-term growth and are expecting a positive outlook for the financial year ahead.

Chan Hung Lit, Simon
Chairman

Hong Kong, 16th July, 2002