MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the year ended 31 December 2002, the Group recorded a turnover of HK$136.4 million (2001: HK$78.7 million), representing an increase of 74% as compared to the prior year. The significant increase was mainly due to the successful acquisition of Omnitech Holdings Limited ("OHL") at the beginning of the year.

The Group incurred an operating loss of HK$200.9 million for the current year (2001: HK$65.6 million), and the consolidated loss attributable to shareholders increased to HK$192.9 million from HK$133.3 million of last year.

Lik Hang Holdings Limited ("Lik Hang"), the electronic components division wholly-owned by OHL, had a satisfactory year and reported a net profit before finance costs and taxation of HK$6.9 million for the year. Lik Hang has recently moved into a new factory in Dongguan, China, thereby increasing its production capacity by 50%. Lik Hang is planning to expand further through natural growth and, where suitable opportunity avails itself, acquisition.

VFJ Technology Holdings Limited ("VFJ"), the contactless smart card technology division 69% owned by OHL, went through a year of restructuring and consolidation. It reported a net loss before finance costs and taxation of HK$17.5 million. The Australia and Hong Kong operations were substantially reduced due to the small size of the respective markets and relatively high operating costs. In Europe, VFJ has been concentrating its resources to complete the bus projects in Italy, scheduled within the first half of this year. The Beijing Metro Line 13 project, after some initial technical delay, is now running smoothly. Going forward, VFJ will focus its marketing efforts in China, where the company enjoys a strong competitive advantage. At the same time the Group is considering various options as to the best way to run the operations in Europe and other parts of the world in the future.

Bizipoint Group Limited ("Bizipoint"), the Group's associated company in e-commerce, had an eventful year. The company lost its top two executives, namely the CEO and COO, who left to pursue other opportunities in April and October, respectively. The shareholders and directors of Bizipoint have decided to cut costs and headcounts further and to keep cash burn rate to a minimum, which means that it will now take a relatively longer period of time to grow and expand Bizipoint's business. As a result the Group had to make a substantial write-down of HK$116 million against its investment in Bizipoint based on an independent valuation. At the operations level, Bizipoint has moved to become a fully integrated service center for members of the China Electronic Chamber of Commerce, and expects to generate more revenue from membership fees and other services.

Due to the uncertain economic environments, the Group has taken a critical review of its strategic investments and made provisions where necessary. Going forward, however, we see much brighter prospects for our strategic investment activities.

REVIEW OF OPERATIONS *(continued)*

Administrative expenses increased substantially over the previous year, representing the combined corporate overhead after the acquisition of OHL. Efforts are being made by management to further streamline operations, rationalize costs and increase sales. As part of the on-going cost reduction programme, all executive directors and senior executives have taken 30% pay cuts from January this year.

Other operating expenses increased to HK$170.3 million from HK$51.6 million of last year. The increase is mainly due to the inclusion of provisions of HK$151.5 million (2001: HK$30 million) to further write down our investments in associated companies and long term investments as discussed above.

As at 31 December 2002, shareholders' funds of the Group stood at HK$132.1 million compared with HK$227.6 million of last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's current assets and current liabilities as at 31 December 2002 were HK$111 million and HK$68 million, respectively (2001: HK$607 million and HK$633 million, respectively).

As at 31 December 2002, the Group had cash and bank deposits of approximately HK$32 million (2001: HK$5 million). The Group's bank borrowings and other loans were approximately HK$33 million (2001: Nil). Such banking facilities were secured by guarantee from certain subsidiaries and charges over fixed deposits and guaranteed funds of certain subsidiaries. The Group was not exposed to any substantial risk in foreign exchange fluctuations.

As at 31 December 2002, the Group's gearing ratio, which was calculated on the basis of bank borrowings to net asset value, was 25% (2001: Nil).

To provide additional working capital and financial resources for business expansion and acquisitions, the Company issued new shares for cash and otherwise during the year under review:

a) On 14 January 2002, the Company issued 200,000,000 new shares credited as fully paid at HK$0.06 per share for the acquisition of 50,000,000 shares in OHL from a number of shareholders of OHL.

b) On 21 January 2002, the Company issued 280,000,000 new shares to settle the balance of outstanding amount of approximately HK$18 million due to the Grande Group.

c) On 6 February 2002, the Company raised HK$13.5 million by issuing 270,000,000 new shares at HK$0.05 per share.

d) On 4 April 2002, the Company raised HK$14.95 million by issuing 230,000,000 new shares at HK$0.065 per share.

e) On 16 May 2002, the Company raised HK$43.2 million by issuing 600,000,000 new shares at HK$0.072 per share.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CHARGES ON ASSETS

As at 31 December 2002, time deposits and guaranteed funds of the Group in the amount of HK$15.8 million (2001: Nil) have been pledged to banks as security for banking facilities provided to certain subsidiaries.

PROSPECTS

Going into 2003, the Group will continue to monitor and control costs, and we believe the efforts so far made in this regard should result in higher efficiency which should eventually translate into higher returns. The effects of SARS and the Iraqi War are of great concern and at least in the short term have created significant negative impact on the economy. Notwithstanding that, the Group still sees 2003 as the year to expand our core business activities in electronics, technology and strategic investments, and to seek new opportunities which provide high growth and superior returns.

EMPLOYEES

As at 31 December 2002, the Group employed approximately 1,400 employees, out of which approximately 1,300 were production workers. In addition to the provision of annual bonuses, medical insurances and inhouse and external training programs, discretionary bonuses and share options are also available to employees based on their performance. The remuneration policy and packages of the Group are reviewed from time to time.