FINANCIAL RESULTS

Discontinuing operations of certain industrial based projects including coking plant and the automobile repair and maintenance plant in year 2001 coupled with the portfolio reorganization of the Group during the year have inevitably erected effect on the consolidated turnover. The Group recorded a turnover of HK$1,606,000, representing 98.73% decrease from the previous year. Despite the drastic drop in the turnover, the Group reported a gross operating profit of HK$758,000. Loss from operations was increased from last year's HK$49,439,000 to this year's HK$67,861,000. However, due to the written down of carrying values and exceptional provisions of impairment losses for certain investments in a total of HK$80,119,000, the net loss for the year was HK$147,980,000 (2001: HK$76,302,000). Accordingly, loss per share was increased by 94.4% to 5.56 cents (2001: 2.86 cents).

REVIEW OF OPERATIONS

Following the conclusion of most of the industrial projects and non-performing assets disposals during the year, the Group has successfully shifted its core activities from industrial based investments to telecommunication infrastructure and technology based business. The Group is still actively looking for prospective purchasers for the remaining industrial projects and has taken further actions with necessary legal proceedings to recover outstanding guaranteed incomes from those industrial projects including the coking plant and the power plant. At the same time, the management has focused to consolidate to its continuing operations.

After the Group's further acquisition of the remaining stake in Sharpo in March 2002, Sharpo has became a wholly owned subsidiary and the main operating arm of the Group. Since it is still under the development stage, the Group has committed to invest its resources to develop Sharpo, especially in the areas of products enhancement and diversification, branding and marketing network. Mainland China is the major market for Sharpo, it is expected that following the PRC's accession to the WTO, there will be an increasing demand for retail management solutions. Resources have been invested to upgrade the internet infrastructure and the existing products with improved features such as user interface, business intelligence, etc. which in turn have enhanced the product capabilities and marketability. Moreover, Sharpo has started to expand its core business from provision of web-enabled retail management solutions system to local and international retailers to wireless internet access through personal digital assistance device ("PDA"). The development of such PDA project is in the final stage and is anticipated to take off in the second half of this year. In order to exploit more market opportunities in other segment, effort has also been made to develop management solution systems to cover the requirements of users in the manufacturing sector.

Further, Sharpo has established strategic alliances with renowned computer products suppliers by designing and creating software applications under distinguish specifications. The management believed that Sharpo can enjoy the synergies with those working partners in building its brand and establishing its presence through their existing client network.

PROSPECTS

After years of corporate re-positioning, the Group has fixed its focus on telecommunications and hi-tech related businesses. Although the telecommunication industry expects another challenging year ahead, the Group is confident that Sharpo will be kept growing in this highly competitive market based on its strategic directions, viz, to become a leading management solutions provider to the customers via innovative technology applications including the latest web technology; to develop new products to meet the diversified and rapidly changing market demands and to broaden the customers base by providing unique products and quality services through its strategic partners' network.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2002, the Group's total number of employees was 79 while the total staff costs for the year excluding directors' remuneration was amounting to HK$14,370,000 (2001: HK$13,217,000). Employees are rewarded by remuneration packages comprised of salary and year-end bonuses based on individual merits. In addition, the Group has adopted a new share option scheme in 2002 for executive directors, employees and business partners. During the year under review, there were no options granted or exercised under the aforesaid share option scheme.

LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has one bank loan, the outstanding loan balance as at 31 December 2002 was US$2,400,000, equivalent to HK$18,672,000 (as at 31 December 2001: US$4,465,000, equivalent to HK$34,830,000). Such loan bears the interest at prevailing market rate and will be fully repayable in 2003. Cash balance and cash equivalents and investments in securities as at 31 December 2002 amounted to HK$13,371,000 (as at 31 December 2001: HK$48,325,000).

The Group's current ratio and quick ratio was reported at 1.61 and 1.52 respectively as at the year end date of 2002 while the gearing ratio stood at 0.20. The gearing ratio is calculated on the total borrowings of HK$18,672,000 and the Group's shareholders' fund of HK$93,149,000.

Due to the disposal of industrial projects and non-performing investments and the exceptional provisions of impairment losses during the year under review, the net assets value of the Group has been reduced from last year's HK$241,129,000 to this year's HK$93,149,000, representing a decrease of 61.37%.

CAPITAL COMMITMENTS, CONTINGENCIES AND PLEDGE OF ASSETS

As at the balance sheet date, the Group has operating lease commitment of HK$6,936,000 (as at 31 December 2001: HK$10,999,000). This commitment includes operating leases in respect of office premises and staff quarter with terms up to 3 years. Save as disclosed in the 2001 annual report and 2002 interim report, the Group neither has other significant capital commitments nor contingent liabilities for any of its subsidiaries and associates.

Further, there was also no material change in capital structure and pledge of assets of the Group during the year under review.