

BUSINESS REVIEW AND PROSPECTS

For the electronic business during the period, the Group has fully utilized the established brandname “Huabao” to develop new products. During the period, three new electronic products has been developed and has been launched in the market by phrase.

In order to materialize the business plan and financial plan for the current financial year and to lay down solid grounds for further business diversification and income generation, on 30th May, 2001, the Group announced its acquisition of 100 per cent equity interests in Power Go Technology Limited, which has successfully developed and designed a solar ventilator. Upon completion of the acquisition after satisfaction of certain conditions, the product can be put to production and launch to the market. The solar ventilator is powered by solar energy to cool the interior of motor vehicles. It is designed to fit most vehicles and the market demand is tremendous. The Board believes that the acquisition and the development of this business will bring satisfactory return to the Group.

To cope with the expanding electronic business, the Group has recently built two production lines at the self-owned factory at Shenzhen, Huang Tian. It is expected that production can be commenced gradually by mid of June. This move has significant impact on the Group by increasing production capacity and reducing production costs.

With respect to the Group’s business in green energy business by acquiring Daqing Longyou Green Energy Limited in late year 2000, currently certain number of the vehicle gas fueling stations has been built and commenced operation. The network of stations has expanded from Daqing to the second largest city in Heilongjiang Province, Qiqihar. With respect to gas trading, other than gas supply to Beijing City, the Group has expanded its market to provinces of Hubei, Jiangsu, Heilongjiang, Jilin and Liaoning, the outlook of the business is satisfactory.