

Chairman's Statement



Good progress has been made in line with the Group's strategy to explore and develop businesses which would offer huge business opportunities and immense growth potential while concurrently providing steady income streams. New projects are expected to contribute to the Group's results shortly.



FINANCIAL RESULTS

The audited consolidated net loss for the year after taxation and minority interests of the Group was approximately HK\$199,795,000 (2000: net profit HK\$25,060,000). Basic loss per share for the year amounted to 3.90 cents (2000: earnings per share 0.56 cents).

DIVIDENDS

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

BUSINESS REVIEW AND PROSPECTS

The Group has been organised into the following business areas to ensure its adoption of business strategy with focus on customers, building on strength and innovation as well as making the future today. Senior management have to concentrate their efforts on their respective markets to develop and grow shareholders value:

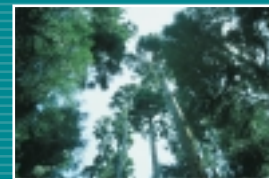
Electroplating Equipment and Wet Processing Businesses

Process Automation International Limited ("PAL") has developed the latest model of the new horizontal plating machine ("PALTECH"). In addition, a number of new service centres have been established in the PRC.

In addition to allocating adequate resources for research and development of new equipment, PAL has focused on cost reduction and restructuring for increasing competitiveness. The above measures are expected to benefit the Group as the market readjusts to more favourable conditions.

Intech Machines Company Limited ("Intech") has successfully listed on the Taiwan Over-the-Counter Securities Exchange ("Taiwan OTC").

Intech has focused on the development of wet processing equipment for TFT-LCD in addition to her existing products.



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Satellite Business

Sky Citi-Link International Telecom Limited ("SCL") will invest in stages responding to the market conditions and development of telecommunication technologies. In the coming year, SCL will conduct a stringent cost control program in order to improve cost effectiveness.

In addition, the Group entered into an agreement to sell to a wholly owned subsidiary of eCyberChina Holdings Limited ("eCyberChina") 20% of the issued share capital and the shareholder's loan of Sky Citi-Link ATNT (Holdings) Limited (The immediate parent company of SCL). The Consideration was satisfied by the issue of 40,000,000 consideration shares credited as fully paid at HK\$1.00 each and the transaction was completed in early July, 2001.

Besides expanding its shareholder's base, the above cooperation will help to broaden the anticipated income stream of SCL. eCyberChina is going to launch the Digital Community Project in various cities in the PRC and such development will form a synergy with the Group's business.

Other Businesses

The entertainment production business continues to contribute to the Group in the year under review. There are a number of shows planned in the coming year, including "The 35th Anniversary Ultraheroes in August, 2001", concerts of Jenny Yan, Tsai Chin, Deanie Yip and Lau Ka Chung. In addition to generating revenue to the entertainment production business, the concerts will benefit the Group's stage construction and equipment rental businesses.

Money lending business continues to contribute to the Group as a stable source of re-current income. The Group has adopted a prudent and conservative policy where comfortable security is a basic requirement.

Wind Generator Business

The first PRC made high power wind generator manufactured by the Group's joint venture ("JV") with the China Academy of Launch Vehicle Technology is now generating the normal level of electricity at a wind park in Inner Mongolia. In response to the market and customer requirements, well experienced engineers of the JV are allocating resources to R&D for improving the features of the wind generator and reducing manufacturing cost.

Concurrently, the JV is exploring opportunities with overseas customers for contract processing of wind leaves and spare parts of wind generators.

Completion of acquisition of SHL (new timber business)

On 30th May 2001, the Company entered into an agreement to acquire 100% of Strength Hope Limited (SHL — a company with forestry interest in Indonesia) for an aggregate consideration of HK\$64,500,000 to be satisfied in full by Consideration Notes HK\$30,000,000, Consideration Shares HK\$30,000,000 and Deposit shares in Smartech HK\$4,500,000.

The Vendor has undertaken to guarantee gross profit of not less than HK\$15,000,000 of SHL for a period of 6 months after the date of Agreement. The SHL transaction was completed on 24th July, 2001.

The Company believes that SHL's business will produce a very steady income stream for the Company.

Acquisition of Function Hope is in progress

On 29th June, 2001, the Company signed an agreement to purchase from the vendor 51% of the entire share capital of Function Hope Limited ("Function Hope") for an aggregate consideration of HK\$80,000,000 to be satisfied in full by the issue of a 10 years Loan Note by the Company at completion. The only asset of Function Hope will be a 97% of the entire interest in an Indonesian company which is principally engaged in a timber business in Indonesia.

The Vendor has agreed to a profit guarantee of consolidated net profit before taxation of Function Hope to be not less than HK\$25 million for a term of 6 months commencing from the Stock Take Date, production volume guarantee and production cost guarantee for next 18 months as well as consolidated net asset value of not less than approximately HK\$54.5 million at completion. If the cumulative consolidated net profit before tax of Function Hope turns out to be less than HK\$150 million at the 5th anniversary date of Completion, any outstanding Loan Note will then be forfeited. The above guarantees will help to alleviate the downside to the Group arising from the acquired timber trading business.

The completion of acquisition of Function Hope will be subject to a number of conditions precedent and the completion to the full satisfaction of the Company of due diligence investigation.

Financial Position

The Group has remained healthy regarding her financial position and working capital. Gearing has remained at a low level. As at 31st March, 2001, the Group's cash and bank balances amounted to approximately HK\$67 million. Total debt was approximately HK\$122 million, equivalent to 28.6% of the shareholder's funds.

Prospects

US economy is likely to rebound near the end of the year when it is to be kicked start by the combined effect of tax rebates and the aggressive interest rate cuts. In addition, in view of the favourable development of China economies, the prospects of the Group is very encouraging in the medium term.

As such, the Directors are very optimistic about the development of the Group in the coming year.

On behalf of the Board, I would like to thank our customers, bankers, suppliers and friends for their kind support and to thank especially our staff at all levels for their contribution and commitment over the year to help making such an encouraging financial results happened.

Kwok Yan Lam

Chairman

Hong Kong, 26th July, 2001