

### DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 30th June, 2001 (2000: Nil).

### REVIEW OF OPERATIONS & PROSPECTS

#### Results

The audited consolidated loss attributable to shareholders of the Group for the year ended 30th June, 2001 amounted to approximately HK\$23,495,000, which includes the loss of HK\$15,807,000 attributed by iQuorum Cybernet Ltd. (a public listed company in the Hong Kong Stock Exchange) comparing to last year's profit of approximately HK\$20,547,000. Turnover for the year ended 30th June, 2001 was approximately HK\$210,800,000 compared to the turnover of approximately HK\$226,852,000 in last year, representing a decrease of 7%.

#### OEM Business

Our OEM manufacturer company produces computer main boards, VGA cards, modem cards and sound cards. It continues to perform well for the first six months of the year, but due to the slower sales in computers, slow down of the worldwide economy, the business for the second half of the year has been reduced. In order to maintain its competitiveness in the market, the company has introduced various measures to operate more efficiently and cost effectively.

#### iQuorum Cybernet Limited

The Group held approximately 55.39% of the issued share capital of iQuorum Cybernet Limited ("iQuorum") (formerly known as RJP Electronics Ltd.) which shares are also listed on The Stock Exchange of Hong Kong Ltd. (the "SEHK"). The principal activities of iQuorum are manufacturing and marketing of consumer electronic products on OEM basis. iQuorum has also diversified its activities into properties investment.

### LIQUIDITY AND FINANCIAL INFORMATION

As at 30th June, 2001, the Group's total borrowings amounted to approximately HK\$63,602,000 with approximately HK\$47,254,000 repayable within one year, approximately HK\$5,305,000 repayable between one to two years, approximately HK\$10,162,000 repayable between two to five years and approximately HK\$881,000 repayable after five years. Cash, bank balances and deposits at 30th June, 2001 amounted to approximately HK\$23,651,000. The Group's current ratio was 0.98 (2000: 1.07) and the gearing ratio which is expressed as a ratio of total liabilities and minority interests to shareholders' funds was 0.89 (2000: 1.23).

Cash, bank balances and deposits were held in Hong Kong dollars. Bank borrowings were denominated in Hong Kong dollars and US dollars amounting to HK\$59,683,000 and HK\$3,919,000 respectively. The Group had no significant exposure to foreign exchange fluctuation.

**PROPERTIES INTEREST***The People's Republic of China*

## (a) Dan Shui

On 28th October, 2000, the multinational petrochemical giant Royal Dutch Shell Group signed a US\$4 billion joint venture (the "Joint Venture") contract with China National Offshore Oil Corp to build a petrochemicals complex to produce high quality petrochemicals products in Huizhou, Guangdong. This is one of the largest sino-foreign joint venture in China that is expected to bring in lots of opportunities to the surrounding areas including the large piece of land (the "Dan Shui Land") owned by our group in the centre of Dan Shui. This huge project would attract large numbers of local and overseas investors to come to the area be set up various down streams industries. According to data provided by the Chinese Government, the ratio of main industry to the down streams industries is estimated to be 1:20 and an further investments of HK\$300 billion or more is expected to be put into down streams industries in the near future. This large amount of investment is expected to result in the fast development of the construction, business, finance, hotel, recreation and service industries and will increase the working population in these areas to an addition of 1.2 million people. Consequently, there is large room for the development in land, properties and the economy in these areas. The first phase of site, infrastructural and structural investigation have already been started in June 2001 and a report on the investigation be issued around November 2001.

Our Group has a land bank of approximately 730,000 sq.m. in Central Dan Shui and 1.5 acres in the old town district situated approximately 15 minutes away from the site of the Joint Venture which has been recently zoned by the state government for residential and commercial usages to support the growth in population in the area as a result of the Joint Venture. The Dan Shui Land has been valued by Jones Lang for more than HK\$1 billion in 1993. After the signing of the relevant joint venture agreement, in Dan Shui, the value of the properties in the area has increased by 10% and the value of the land in the area has increased by 50% to more than HK\$1,000 per sq.m. The directors of the Company (the "Directors") believe the demand for land in the area will continue to be increasing in the future.

Guangdong Urban & Rural Planning and Design Institute completed the market feasibility studies on land usage and zoning and based on the advice from the financial adviser for the financial plan on the property development with local and overseas blue chip property developers and fund raising through sale of land, our group will develop the land in pace with the development and production schedule of the Joint Venture. In view of the benefits derived from such large scale Joint Venture Project, the directors expect the future prospect for the development of the Dan Shui Land will be excellent.

(b) Jiangmen

The Group has submitted a plan to develop the 1 million sq. ft. of land owned by the Group, which is located near a train station and highway, to the relevant authority for approval. The Group understands that the plan is still under consideration. The Group will begin any project on the land after approval to do so is obtained.

*Overseas*

Beef Island

An Health and Spa Resort Project (the "Spa") is expected to be established in the Beef Island. The Spa involves unique and novel concepts in healthcare combining the best in medical, surgical and well being therapy and which is located in a vacation location which will create a new paradigm in health care. The Spa has specialty medical facilities providing elective surgery, diagnostic services and testing, traditional and complementary medicine, the finest and latest in longevity and wellness care. As well as the above, the Spa is also a five star resort.

A memorandum of sales of land for this project with the Health and Spa Resort Co. have been signed recently for the area of 20 acres at US\$140,000 per acre and the cost of the land is US\$15,000 per acre. The project is expected to generate a profit of US\$2,500,000 for the Group.

The airport on Beef Island is expected to be expanded to enable direct flights from New York, Florida and other major cities in the United States and is expected to be completed on or before December 2002. Recently enquiries on sale of the Group's land in the area, formation of joint ventures, building of a golf course, a hotel, marina city have been received. The Group expect that the value of the land will be increased substantially in view of the likely developments in the area in the near future.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 30th June, 2001, the Company has also repurchased a total nominal value of US\$1,625,000 of the Company's 5.25% convertible bonds due 2000. These bonds have then been cancelled by the Company. The details of the purchases are as follows:—

Month of repurchase	Nominal value of convertible bonds repurchased US\$	Price expressed as a percentage of the principal amount of bonds		Aggregate price US\$
		Highest	Lowest	
July 2000	1,415,000	100.00	97.50	1,380,875.00
August 2000	210,000	98.00	98.00	205,800.00
	<u>1,625,000</u>			<u>1,586,675.00</u>

The repurchased convertible bonds were cancelled upon repurchase and, accordingly, the gain or loss on repurchase was credited or charged to the income statement. The gain or loss represents the difference between the amounts paid and the net book value of the convertible bonds repurchased.

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30th June, 2001.

**APPRECIATION**

The Directors would like to express their sincere appreciation for all the dedicated efforts of all the management and staff of the Group during the year.

On behalf of the Board  
**Hung Kin Sang Raymond**  
*Chairman*

Hong Kong, 22nd October, 2001