

LETTER FROM THE BOARD

RESULTS

Turnover for the year ended 31 March 2001 was HK\$23.2 million (2000 : HK\$22.7 million), representing an increase of 2.2%. However, after taking into account the provisions for losses on restructuring, loss on disposal of a property under redevelopment, together with the administration expenses and finance costs, the Group suffered a net loss attributable to shareholders of HK\$1,124.4 million for the year ended 31 March 2001 (2000 : Loss of HK\$52.3 million). Loss per shares amounted to HK\$2.78 (2000 : Loss per share of HK\$0.47).

The Board of Directors does not recommend the payment of any final dividend (2000 : Nil).

BUSINESS REVIEW

The turnover for the year was mainly contributed by the rental income of Golden Plaza, No. 745 - 747 Nathan Road, Kowloon. As at 31 March 2001, about 73% of the total gross floor area of Golden Plaza has been rented. A professional management company has been employed to handle with the management and leasing of Golden Plaza, the Board is confident that the performance of Golden Plaza will be improved in terms of its occupancy rate and rental yield in the coming year.

In September 2000, a rights issue on a two-for-one basis became unconditional. The net proceeds realized amounted HK\$348.6 million were utilized for repayment of the indebtedness including partial redemption of the convertible note, repayment of certain promissory notes and for general working capital purposes.

In September 2000, the Company entered into a sale and purchase agreement with Grand China Assets Limited, a wholly-owned subsidiary of China National Real Estate Development Group Corporation, to acquire two property projects in Chengdu and one property project in Kunming, the PRC at the total consideration not exceeding HK\$400 million which will be settled by cash payment of not more than HK\$60 million and by the issue of 300,884,955 ordinary shares at HK\$1.13 per share. In December 2000, parties to the agreement agreed to extend the long stop date for fulfillment or waiver of the conditions of the agreement and there is no negotiation made among the parties on the long stop date currently.

In October 2000, the Company entered into a sale and purchase agreement for the acquisition of various pieces and parcels of non-residential land in Yuen Long and Tuen Mun and the sub-participation interest in land development in Hainan Province of the PRC in consideration of HK\$145 million and another sale and purchase agreement for the disposal of the property under redevelopment at Wo Yi Hop Road in consideration of HK\$147 million. The net proceed of the disposal in sum of HK\$100 million was used to finance the acquisition and the balance in sum of HK\$47 million was used to repay the indebtedness due to Gold Gear Limited. The balance of the acquisition consideration in sum of HK\$45 million was settled by the delivery of a promissory note in favour of Hilder Company Limited.

In March 2001, the acquisition of the entire equity interest in Wise Method Limited and its shareholder's loan was completed. The principal asset of the acquisition is the entire equity interest in Crownity Limited, which holds 151 units and 79 carparking spaces of Cheung Fat Gardens in Shanghai of the PRC. The total consideration was adjusted to HK\$246.2 million which was satisfied by the deposit of HK\$80 million and a 6% promissory note of HK\$166.2 million.

LETTER FROM THE BOARD (Continued)

PROSPECTS

The Properties Agreements and Subscription Agreements dated 17 April 2001 (for details please refer to the circular dated 11 June 2001) for the Group's debt restructuring by the sale of the Group's assets, conversion of debt into equity and new issue of shares for cash was completed on 18 September 2001, save and except for the subscription of 60,000,000 new ordinary shares of the Company at a subscription price of HK\$0.25 per share at an aggregate consideration of HK\$15 million and the subscription of shares in Tem Fat Hing Fung (Holdings) Limited by the relevant group/related companies of Cheung Kong (Holdings) Limited as stated in the circular of 11 June 2001. The total indebtedness has reduced and the financial position has improved substantially.

Though it is anticipated that rental income from Golden Plaza will continue to provide steady income stream to the Group, the Board believes that there is a need to explore other investment opportunities with earning potentials in order to diversify its existing business and income stream. In line with this strategy, an agreement was entered into on 24 September 2001 in which the Group acquired 30% of the total issued share capital of Masterful Resources Limited, a company incorporated in the British Virgin Islands, at a total consideration of HK\$48 million (the "Acquisition"). A total of HK\$21.2 million was satisfied by cash upon signing the agreement and the remaining balance of HK\$26.8 million was satisfied by way of issuance of 107,200,000 new ordinary shares of the Company at the agreed issue price of HK\$0.25 each on 3 October 2001. The main asset of Masterful Resources Limited is Shipping-Info.com, a business-to-business web portal under development which aims to serve the shipping and logistics community by providing network based information services, via the internet, to shippers, forwarders, agents and carriers in Hong Kong, Shanghai and Tianjin in the PRC. Services will be ready for launch for supply to customers not later than May 2002.

The Board believes the investment in Masterful Resources Limited represents a good opportunity to the Company to diversify into the information technology and logistics businesses. The Group will keep on looking for additional sources of funding for improvement of the financial position and future possible acquisitions. Meanwhile, the Group will continue to explore other investment opportunities with earning potentials to increase the Group's investment in Hong Kong and the PRC so as to further diversify its sources of income and existing business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year under review, the Group recorded a net loss attributable to shareholders of HK\$1,124.4 million, which was mainly attributable to the following :

1. the provisions for losses on restructuring;
2. loss on disposal of a property under redevelopment;
3. the finance costs; and
4. the share of loss of an associate.

In return, the Group experienced a consolidated deficiency in asset value of HK\$107.6 million.

LETTER FROM THE BOARD (Continued)**MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)**FINANCIAL REVIEW** (Continued)

Details of variances are summarized as follows :

	Increase / (Decrease) in the Group's total net asset value HK\$'000
Fixed assets	24
Investment properties	(45,000)
Property under redevelopment	(486,129)
Interest in an associate	(369,812)
Deposit	(80,000)
Interests in unconsolidated subsidiaries	68,200
Properties held for resale	1,000
Other investment	1,200
Prepayments, deposits and other receivables	(1,629)
Accounts receivable	1,679
Cash and bank balances	795
Other payables and accruals	(23,933)
Tax payable	370
Due to related companies	(871)
Promissory note payable	—
Interest-bearing bank loan and other borrowings	(202,036)
Non current interest-bearing bank loan and other borrowings	340,240
Net decrease in Group's total net assets	<u>(795,902)</u>

Through the rights issue, the Group raised a total funds of HK\$348.6 million for the repayment of the indebtedness including partial redemption of the convertible notes and for general working purposes.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2001, the Group had outstanding borrowings of HK\$651.2 million, comprising secured or unsecured promissory notes payable of HK\$377 million and a secured bank loan and other borrowings of HK\$274.2 million. The Group's consolidated net current liabilities was recorded as HK\$361.2 million.

LETTER FROM THE BOARD (Continued)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

To secure banking and other credit facilities granted to the Group, the Group has pledged to a bank and certain financial creditors certain assets, including investment properties having an aggregate net book value of HK\$350 million and the assignment of rental income derived therefrom, the entire issued share capital of five subsidiaries, Tem Fat Hing Fung (China) Limited, Master Profit Limited, Perfect Manor Limited, Wise Method Limited and Crownity Limited, 49% equity interest in the capital of Cheung Wo Hing Fung Enterprises Limited and the assignment of shareholder's loan due therefrom, the Company's interests in various pieces and parcels of land in Tuen Mun and Yuen Long and sub-participation interest in land development in Hainan Province of the PRC. In addition, the Group had contingent liabilities in respect of counter indemnities granted to the other beneficial shareholders of an associate to indemnify to 49% of the obligations of these shareholders under the guarantees issued in connection with loan facilities of approximately HK\$1,088 million granted to an associate's joint venture. As at 31 March 2001, approximately HK\$855 million of these loan facilities were utilized.

The provisions for losses on restructuring caused the decrease in value of the total assets of the Group from HK\$1,501 million in 2000 to HK\$591 million in 2001. (The gearing of the Group, measures as total debts to total assets, has increased from 54.13% in 2000 to 118.2% in 2001.)

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 30 to the financial statements.

CAPITAL STRUCTURE

Upon completion of the rights issue on two-for-one basis in October 2000, 396,000,000 ordinary shares were issued for cash at HK\$0.90 per share. As at 31 March 2001, the number of ordinary shares issued of the Company had increased to 594,000,000 ordinary shares.

Subsequent to the balance sheet date, in May 2001, the Company placed 80,000,000 new ordinary shares at HK\$0.25 per share. Upon completion of debt restructuring in September 2001, a further 80,000,000 new ordinary shares were issued at HK\$0.25 each. Additionally, 107,200,000 new ordinary shares at HK\$0.25 each were issued to satisfy the remaining consideration of the Acquisition which amounted to HK\$26.8 million in October 2001. Upon completion of these transactions, the number of shares issued of the Company's ordinary shares had increased to 861,200,000 shares.

As part of the debt restructuring exercise, a total of 684,000,000 redeemable convertible preference shares were issued at nominal value of HK\$0.25 each. The capital base of the Company was enlarged by the same amount.

Moreover, share options were granted to two directors of the Company on 22 June 2001 under the Share Option Scheme approved by the Company on 13 December 1999. The Company's number of shares issued will be increased by 33,700,000 ordinary shares should the options be fully exercised.

LETTER FROM THE BOARD (Continued)

EMPLOYMENT AND REMUNERATION POLICY

At 31 March 2001, the Group's total number of staff was four. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up share option scheme to its employees linked to the individual performance as recognition of and reward for value creation.

On behalf of the Board
Yeung Sau Chung
Executive Director

Hong Kong, 4 October 2001