

LETTER FROM THE BOARD

RESULTS

Turnover for the year ended 31 March 2002 was HK\$ 23.1 million (2001: HK\$23.2 million). After taking into account with the gain on disposal of interest in an associate, provision for impairment in value of goodwill, administrative expenses and financial cost, the Group recorded a net loss attributable to shareholders of HK\$79.0 million (2001: HK\$1,124.4 million), representing a decrease of 93%. Loss per share amounted to HK\$0.09 (2001: Loss per share of HK\$2.78).

The Board of Directors (the “Board”) does not recommend the payment of any final dividend (2001 : Nil).

BUSINESS REVIEW

The principal business of the Group is involved in property development and investment in Hong Kong. During the year, the turnover was mainly contributed by the rental income of Golden Plaza, No. 745-747 Nathan Road, Kowloon.

During the year, the Group carried out the debt restructuring exercises. The properties agreements and the subscription agreement was signed on 17 April 2001 (for details please refer to the circular dated 11 June 2001) for the disposal of Group’s assets, conversion of debt into equity and the issuance of new shares for cash. In September 2001, the debt restructuring exercises were completed, save and except for the subscription of 60,000,000 new ordinary shares of the Company at the subscription price of HK\$0.25 each at the 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. Upon the completion of the debt restructuring exercises, 80,000,000 new ordinary shares and 684,000,000 redeemable convertible preference shares of the Company both at HK\$0.25 each were allotted and issued. The financial position of the Group has been improved substantially.

In May 2001, the Company placed, through a placing agent, 80,000,000 new ordinary shares of the Company at HK\$0.25 each to certain independent investors. The net proceeds of HK\$19 million from the placement were used to reduce the Group’s debts and as general working capital.

It is the Group’s strategy to diversify its business and sources of income by investing into other investment opportunities. In line with this strategy, the Group acquired 30% and 19% equity interest of an investment involving in information technology and logistic businesses in September 2001 and December 2001, respectively. The main asset of the investment is Shipping-Info.com, a business-to-business web portal under development which aims to serve the shipping and logistic community by providing network based information services, via the internet, to shippers, forwarders, agents and carriers in Hong Kong, Shanghai and Tianjin. The services provided by Shipping-Info.com were only launched in end of May 2002. Owing to the current unfavourable economic atmosphere, the result of the initial operation has not been satisfactory and is still under review. To adopt a prudent approach, a full provision of the carrying value is made in the current year. However, the Board is of the view that it would provide positive contribution in the future and will closely monitor its performance. Should the results of operation be improved, the Board will consider reversal of the provision made.

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In December 2001, the rights issue on a two-for-five basis become unconditional. The net proceeds realised amounted to approximately HK\$83.1 million, which were mainly used to provide funding to make investments that have earning potential to the Group.

In January 2002, the Company issued convertible bonds due in 2005, which bear interest at a rate of 5% per annum payable semi-annually in arrear on 30 June and 31 December. The net proceed of approximately HK\$58 million will be used to providing funding for investment with earning potential. Details of the convertible bonds are set out in note 26 to the financial statements.

FUTURE PLAN

During the year, the turnover which was mainly contributed by the rental income from Golden Plaza will remain as the steady income stream to the Group. The completion of debt restructuring exercises in September 2001 alleviated the financial burden and strengthened the financial position of the Group.

The Board believes that it is better for the Group to explore other investment opportunities with earning potential both in Hong Kong and the PRC so as to diversify its sources of income and existing business.

The Group will keep on looking for additional funding for further improvement of its financial position and future possible acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year under review, the Group recorded a net loss attributable to shareholders of HK\$79.0 million, which was mainly attributable to administrative expenses, financial costs and the provision for impairment in value of goodwill.

However, after the completion of the debt restructuring and various fund raising exercises, such as placement, rights issue and issuance of convertible bonds, the Group raised a net proceed amounting to approximately HK\$180.1 million for general working capital and for funding to make investments to expand its business operation and to diversify its existing business. As at 31 March 2002, the Group recorded a net asset value amounted to approximately HK\$127.1 million and the cash and bank balances of HK\$127.1 million (2001: HK\$1.8 million).

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Detailed of variance are summarises as follows:

	Increase/ (Decrease) in the Group's total net assets value
	<i>HK\$ '000</i>
Fixed assets	(24)
Investment properties	(70)
Interest in an associate	(163,600)
Interest in subsidiaries	(68,200)
Properties held for resale	(1,000)
Other investment	(1,200)
Prepayment, deposits and other receivable	1,110
Accounts receivable	(525)
Cash and cash equivalents	125,277
Other payable and accruals	25,254
Tax payable	18
Promissory note payable	63,000
Interest-bearing bank loans and other borrowings	404,648
Due to related companies	(90,009)
Convertible bonds	(60,000)
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Net increase in Group's total net assets	<u>234,679</u>

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2002, the Group had outstanding borrowings of HK\$335 million, comprising of secured bank borrowings of HK\$168.6 million, unsecured promissory notes payable of HK\$15 million, loan due to related parties amounted to HK\$91.4 million and convertible bonds of HK\$60 million. Details of the total borrowings of the Group are set out in note 24, 25 and 26 to the financial statement.

The issuance of 80,000,000 new ordinary shares upon the completion of debt restructuring, the placement of 80,000,000 new ordinary shares, the convertible bonds of HK\$60 million and the completion of a two-for-five basis rights issue has enhanced the capital base and the financial position of the Group. The gearing ratio, measured as total liabilities to total assets, improved from 118.2% in the last year to 73.7% in the current year.

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CAPITAL STRUCTURE

As at 31 March 2002, the number of ordinary shares issued of the Company has increased to 1,233,280,000 ordinary shares. During the year, the Company issued and allotted 639,280,000 ordinary shares, which were attributed to:

1. placing of 80,000,000 ordinary shares at HK\$0.25 each in May 2001;
2. issuance and allotment of 80,000,000 ordinary shares at HK\$0.25 each upon the completion of the debt restructuring exercises in September 2001;
3. issuance and allotment of 107,200,000 ordinary shares and 27,600,000 ordinary shares at HK\$0.25 each for the acquisition of 30% and 19% equity interest of an investment company involving in information technology and logistics businesses in September 2001 and December 2001, respectively; and
4. issuance and allotment of 344,480,000 ordinary shares at HK\$0.25 each upon the completion of the rights issue on a two-for-five basis.

Being part of the debt restructuring exercises, 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 June 2001 under the share option scheme approved by the Company on 13 December 1999. With the effect of the rights issue on the basis of two-for-five became unconditional, the number of shares of the outstanding options was adjusted to 47,180,000 shares and the Company's number of shares will increase by 47,180,000 ordinary shares should be the option be fully exercised.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2002, the Group's total number of staff was two. The Group remunerates its employees based in their performance, experience and prevailing industry practices.

SHARE OPTION SCHEME

The Board proposes to adopt a new share option scheme (the "New Scheme") at the forthcoming annual general meeting to be held on 16 September 2002. A circular giving summary on the terms and conditions of the New Scheme will be sent to shareholders.