

Business Review

In view of the poor performance of restaurants and department store and low income from sales of investment properties in the PRC, the Group determined to dispose of substantial portion of its PRC businesses by entering into a sale and purchase agreement with an ex-director of the Group on 18th January, 2000. Upon completion of the disposal of the Former member of the Group on 31st July 2000, the Group recorded a loss on disposal of about HK\$38 million. After the disposal, the Group is now in a much better financial position for development of new business opportunities.

The Group has determined to diversify its business into high value-added technology related businesses and to build a portfolio of high quality technology-related investments which in the long term will provide significant profitability to the Group and create long term shareholder value. In this regard, a project management team composed of hi-tech investment and management experts had been set up to study and implement the business strategies of the Group in the period. It is the objective of the management to create long term shareholder value by focusing on investing high value-added technology projects that are expected to bring high returns to the Group .

During the period, the Group had invested in three kinds of major hi-tech projects. These investment projects are still in the stage of development and no profit had been generated in the period. However, the Directors believe that these investments have good and long term potentials and returns on these investments are expected in the foreseeable future.

Biotechnology Related Project:

On 11th July, 2000, the Group entered into a sale and purchase agreement for acquisition of 25% equity interest in a private company (the “Bio-technology Company”) which hold an indirect 80% interest in a joint venture company engaging in the production of organic fertilizers in the PRC at a cash consideration of HK\$48 million.

The joint venture company owns the technical know-how in formulating organic fertilizers for farming. The new formula has gone through an extensive trial in farmland of different provinces and the results have been proven satisfactory. In view of the fast growing market of organic fertilizers in China, the Bio-technology Company is considering an expansion plan to produce the fertilizer massively. In view of the tremendous market potential of organic fertilizers in the PRC, the Directors believe that the investment in the Bio-technology Company will generate significant incomes for the Group in the near future.

Internet Related Project

During the period, the Group acquired approximately 19.35% equity interest in a private company (the “Internet Company”), which holds interest in several companies providing online Chinese medicine and health care content, consultation and trading of products like hospital administration software, rehabilitation courses, health products and related equipments; interactive communications consultancy services; and licensing of computer installation for online supply of financial and other information from database, software system development and system integration services, at cash consideration of HK\$90 million. No operating profit had been generated for the period.

In addition, the Group acquired approximately 16.67% equity interest in a private company (the “IET Company”) for a cash consideration of HK\$15 million. The IET Company is an Internet-based company and a Microsoft Certified Solution Provider which develops and provides Internet enabling technology (IET) solutions and applications, offers Internet professional services encompassing end-to-end internet solutions that range from applications development, implementation and hosting to websites development, management and investment.

The Directors believe that these investments allows the Group to diversify its business into information technology and e-commerce arena which is expected to have high growth potential based on the fact that global explosion of internet will continue to stimulate e-commerce activities and the need for sophisticated computer systems as well as related consultancy services will be in great demand.

Lottery Related Project

On 15th June 2000, the Group entered into a sale and purchase agreement for acquisition of a 20% equity interest in a private company (the “Lottery Company”) for a cash consideration of HK\$36 million. The Lottery Company has an indirect 65% interest in a joint venture company, which primary engages in development, sales / leasing and distribution of lottery related hardware, software, operating and management systems in Fuzhou, Shangdong and other provinces of the PRC.

The Directors believe that it is a golden opportunity for the Group to invest in the lottery related businesses in the PRC and expect that the return on this investment will be promising and significant to the Group.

Prospects

Subsequent to the balance sheet date, the Group had acquired 22% of equity interest in a private company (the “Telecommunication Company”) at a consideration of approximately HK\$76 million. The consideration was satisfied by the issue and allotment of 4,319,986,000 new shares of the Company. The principal business of the Telecommunication Company is the distribution of international pre-paid phone calling cards, the provision of video conferencing, internet access and unified messaging services to, amongst others, overseas Filipino workers residing outside the Philippines.

The Group considered that the acquisition is a good opportunity for the Group to expand into telecommunication business and that the Telecommunication Company will bring positive contribution to earnings of the Group in the foreseeable future.

In addition to the acquisition of interest in the Telecommunication Company, the Group also acquired 6% of equity interest in a private company (the “ASP Company”) at a cash consideration of HK\$41 million. The ASP Company is a software developer which designs, produces and distributes business application software for application service providers (“ASP”) in Hong Kong and the PRC.

The Directors consider the acquisition of interest in the ASP Company represents the Group’s commitment to invest and explore business opportunities in the high technology arena. In future, the Group will continue its strategy of selecting high technology or high value-added business with niche market and will concentrate on exploring different profitable opportunity and spin off certain projects on the capital market when they become mature.