

Chairman's Report

The excitement created by the high technology fever was suddenly vaporized in the fiscal year and the Hong Kong economy is still undergoing the painful process of structural reformation and looking for new area for expansion. The stimulation generated by successive cut of interest rates was wipe out by the slow down of the economy of the United States and the fierce competition from coastal cities of mainland and other major cities in Asia further the anxiety of the Hong Kong people. Under the mist of uncertainty, management of the Company has taken a conservative approach in the second half of this fiscal year and more effort is devoted to consolidate our existing business. Turnover for the year is HK\$18,214,000 which represents a decrease of 49% because the Group subcontracted the operations of food manufacturing to the minority shareholder of a subsidiary in return for a guaranteed profit to the Group for the period from 1 July 2000 to 31 December 2003 following which the subsidiary has been accounted for as a jointly-controlled entity, and a decrease in the rental income from the Group's property investment. Net loss from ordinary activities attributable to shareholders amounted to HK\$36,167,000.

PROPERTY INVESTMENT

There is no significant acquisition and disposition of properties during the period and no significant change in the value of the Group's Hong Kong properties. Provisions aggregated to approximately HK\$1,000,000, however, were made for the diminishing in value for several commercial properties in Hong Kong. Rental yield from the property investment was satisfactorily at approximately 7.5% per annum. This was the result of good management of the Hong Kong commercial properties to cater for changing market requirements and maintaining the rental income even during the downturn of the economy in previous years.

FILM PROCESSING BUSINESS IN THE PRC

The development of photograph developing and processing business in the People's Republic of China (the "PRC") continues. At present, we have opened six film processing and retailing shops in two major cities providing conventional film processing services and

imaging products as well as the most updated digital imaging services and products. In association with Kodak, we planned to develop a retail and film-processing network throughout the PRC and secure any further business opportunities that may arise. The management believes there is a vast potential in the retail and film processing industry in the PRC in the forthcoming years, especially when the PRC is admitted into the World Trade Organization.

INTERNET INVESTMENT

On 6 April 2000, the Company issued 40,000,000 new shares of par value HK\$0.01 each at an issue price of HK\$2.0 each as consideration for the acquisition of 80% of the total issued share capital of Linkpex Holdings Limited ("Linkpex"). Linkpex is the holding company of an internet information provider whose domain name is <http://www.landsearch.com.hk>, which provides timely and accurate property information of Hong Kong to its subscribers. Ever since acquisition, Linkpex had also launched two other websites through one of its associated company and a subsidiary respectively. These two new websites are <http://www.ivaluer.com.hk> and <http://www.ipropertyguard.com.hk> which provide online professional property valuation and property status monitoring services to their respective subscribers.

On 22 November 2000, Linkpex entered into a subscription agreement with an independent third party (the "Subscriber") whereas the Subscriber agreed to subscribe for 10% of the enlarged issued share capital of Linkpex for a consideration of HK\$90,000,000 (the "Subscription") payable in cash. As a result of the Subscription, the Group's interest in Linkpex has been reduced from 80% to 72%. The profit attributable to the Group arising from deemed disposal of Linkpex upon the Subscription is approximately HK\$57,000,000.

As a result of the increasing in funding for the development in internet business and taking the opportunity to cope with rapid expansion of the business of an former associate named, iValuer.com.hk Limited ("iValuer"), on 12 December 2000, the Group

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entered into a sale and purchase agreement to acquire an additional 30% equity interest in iValuer for a consideration of HK\$89,500,000.

Management believes that the acquisition represents a good opportunity for the Group to participate in the fast growing information technology industry. Following the popularity of internet and the recovery of the property market in Hong Kong, it is expected that revenue contribution to the Group will be increased.

WIRELESS HEADSET

On 21 September 2000, the Group acquired 50% equity interest of Cyber Pacific International Holdings Limited ("Cyber Pacific") for a cash consideration of HK\$25,000,000. Cyber Pacific, beneficially owns the title, rights and interest of a newly invented wireless headset for mobile phone (the "Headset"). Patents in respect of the unique technology utilized in the Headset have been applied in appropriate countries and the development of the Headset has been completed. Commercial launching of the Headset had been commenced in January 2001 and the initial market response is encouraging and the Group plans to launch the product in the PRC in the third quarter of 2001.

HOTEL RESORT

The Group had set up a new company known as P.T. Horizon Bandar Bahru ("P.T. Horizon"), with an independent third party in Indonesia. The Group owns 50% of the issued capital in P.T. Horizon. On 29 November 2000, P.T. Horizon entered into a management agreement with the owner of a resort known as Batam View Beach Resort (the "Resort") which is located in Indonesia whereas P.T. Horizon is responsible for the day to day management of the Resort until the earlier of the completion of the sale of the Resort to P.T. Horizon from the existing owner and 31 December 2030.

On 6 December 2000, P.T. Horizon entered into an agreement to acquire all the relevant assets of the Resort from the owner for a total cash consideration of approximately HK\$60,300,000. Up to the date of this report, the Group had contributed approximately HK\$31,500,000 to P.T. Horizon.

The management considers the investment in Indonesia represents a good opportunity to acquire an asset with a tangible assets backing as well as a steady recurring income flow.

TRADING IN MARKETABLE SECURITIES

During the year under review, the Group had engaged in trading in marketable securities for short-term investment purpose. Total turnover of security trading during the year is approximately HK\$1,600,000.

FLOUR MILL OPERATION

On 13 July 2000, one of the subsidiaries of the Company entered into an underwriting agreement with the sino party of the Flour Mill whereas the sino party underwrites the management of the Flour Mill for a period of three and a half years commencing from 1 July 2000 and pays to the Group an aggregate underwriting fee of approximately HK\$1,200,000 over the underwriting period. The management considers that it is in the best interest of the Group and avoids the Group from incurring further loss due to the operation of the Flour Mill. Starting from 1 July 2000, the flour mill is therefore accounted for as the Group's jointly-controlled entity.

PLACEMENTS

On 11 September 2000 and 3 October 2000 the Company issued and allotted 40,000,000 and 28,000,000 new shares at issue prices of HK\$1.65 and HK\$1.08 per share respectively, raising approximately HK\$63,000,000 and HK\$29,000,000 respectively which were used as working capital and to reduce borrowings of the Group.

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LIQUIDITY AND FINANCIAL RESOURCES

At the balance sheet date, the Group had net current liabilities of HK\$10,746,000 and total indebtedness to equity ratio of approximately 29% which is an improvement from the net current liabilities of HK\$17,369,000 and total indebtedness to equity ratio of 49% as at 31 March 2000. The improvement was due to the restructuring of a short term mortgage loan into a long term mortgage loan and the equity financing activities during the year. The total indebtedness and cash on hand of the Group were HK\$55,130,000 and HK\$1,062,000 respectively as at 31 March 2001. In the forthcoming period, management will continue the present policy to meet the Group's expansion requirement and capital commitment by using internal resources and if appropriate, long term equity or debts finance.

PROSPECTS

In summary, the Group's financial position has been improved and the investment strategy has been directing towards property investment, retailing network, high technology investment and hotel management. As the process of liquidating unsound investment was mostly completed, the management will in the forthcoming year continue its present strategy of developing and consolidating its existing business and at the same time seeking new investment opportunities.

By Order of the Board

Li Chi Sing
Chairman

Hong Kong
27 July 2001