

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

BUSINESS REVIEW

The Group's net profit attributable to shareholders for the year was HK\$74,715,000, representing a significant improvement when compared with the net loss attributable to shareholders of HK\$63,867,000 as restated for the last corresponding year.

With the implementation of the Group's diversification strategy, the base contribution to the net profit of the Group had been enlarged by equity investment in packaging business, property investment and infrastructure projects.

Packaging Business

The packaging business is carried on by a subsidiary, Qualipak International Holdings Ltd ("Qualipak"), a company listed in Hong Kong. The sale of packaging products performed relatively well during the eight months period to August 2001 but impacted by the events of September 11 in the United States. This led to reduced demands for these products as well as occurrence of postponement of shipments in response to temporary negative market sentiment by major customers. As a result, the turnover of packaging business recorded a decrease of approximately 20% with a net profit of HK\$24.4 million for the year ended 31 December 2001 and contributed to our Group a net profit of approximately HK\$12.7 million.



However, we expect that there will be an economic recovery in US in the second half of 2002 and Qualipak can increase the overall competitiveness as a result of an excellent design and marketing team as well as the new production facilities in Zhongshan, PRC which have already commenced production in the second half of this year.

Property Investment Business

In September 2000, the Group further diversified into the property investment business through investment in an associate, Prestige Properties Holdings Ltd ("Prestige"), a company listed in Hong Kong.

The major investment properties of Prestige include Century Square in Central, Prestige Tower in Tsimshatsui, Playmates Factory Building in Tuen Mun and 2nd Floor, New Mandarin Plaza in Tsimshatsui East etc.

Prestige had a net profit of HK\$33.1 million for the year ended 31 December 2001. The gross rental income of Prestige for the year was HK\$127.1 million, representing a slightly decrease of about 12% over that last year. During the year, Prestige successfully maintained a relatively higher level of occupancy rate of above 95% for its major commercial properties even though the market condition of commercial leasing market was still difficult. Prestige also benefited from the reduction in interest expense by an amount of HK\$21.9 million for the year as a result of massive interest rate cut.



CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

Prestige will continue to strengthen its contribution to the Group's net profit by virtue of its desired leasing result, their proactive leasing approach as well as their dedicated management services.

Infrastructure Business

In March 2001, the Group further diversified into an infrastructure business through Prestige to acquire 51,755,924 shares of The Cross-Harbour (Holdings) Ltd ("Cross Harbour"), a company listed in Hong Kong. The principal activities of Cross Harbour are carried out through investment in the Western Harbour Tunnel, Hong Kong School of Motoring and Autotoll Limited. Cross Harbour reported a net profit of HK\$63.9 million for the year ended 31 December 2001. This was attributable to the performance of an infrastructure of Western Harbour Tunnel, which generates a steady stream of toll income and benefits by lower interest expenses after massive rate cuts during the year. Since this acquisition, it has started to contribute to our Group indirectly with a stable recurrent income.



Trading of Automobile Parts

As a result of diversification, the importance of traditional trading of automobile parts in the overall contribution to the Group's operating profit has been diminished. In fact, the sluggishness of trading activities of automobile parts virtually caused the Group's turnover for the year drop to HK\$365.3 million.

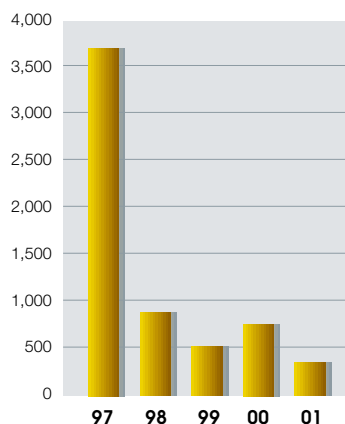
PROSPECT

With a strong business activity base in mid West area of PRC, the Company expects to benefit from the development strategy for the Western Region of China — a strategy that is set to give a huge impetus to economic and social development in the region and stimulate domestic consumption demand. In addition, the accession of China to the World Trade Organisation has also provided renewed impetus for foreign investors to establish their presence in the Mainland market. These will make our Company seize the opportunity to the thriving business prospects in the mid West area of PRC.

The Group has successfully implemented the diversification strategy to expand its business and strengthen its income and assets base. This series of acquisitions have definitely provided our Group with a far-reaching future economic benefit. The Group will continue to explore any business opportunities in strategic acquisition of equity interests in Hong Kong or abroad.

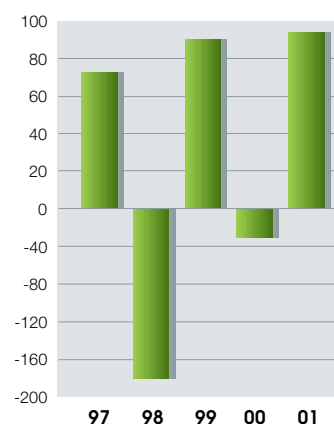
Turnover

HK\$ million



Profit / (loss) before Taxation

HK\$ million



CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's net profit attributable to shareholders for the year was HK\$74,715,000, representing a significant improvement when compared with the net loss attributable to shareholders of HK\$63,867,000 as restated for the last corresponding year.

As at 31 December 2001, the Group's net asset value was increased to HK\$1,870.3 million and had a net asset value per share of HK\$0.22. The Group's total asset and liabilities (excluding minority interest of HK\$153.5 million) were HK\$2,471.3 million and HK\$447.5 million respectively. The Group's contingent liabilities for bills receivable discounted with recourse were HK\$7.8 million. The gearing ratio, defined as long-term liabilities to shareholders' fund, was calculated as 5.4%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained its long-standing policy of conservative and prudent financial management. As at 31 December 2001, the net cash balance of the Group stood at HK\$648.1 million and there were sufficient unused lines of credit available from financial institutions. The Group has a working capital ratio of approximately 4.5 signifying that the working capital is sufficient to support the Group's operation.

The Group had no banking borrowings as at 31 December 2001.

Whilst sales of the Group mainly denominated in Hong Kong and US dollars, purchases of raw materials are in majority made in Hong Kong dollars. Most bank deposits are maintained in Hong Kong and US dollars. Hence, the Group's exposure to foreign exchange risk is minimal.

CAPITAL STRUCTURE

As at 31 December 2001, the Group's net asset was financed by internal resources through share capital & reserves and convertible note borrowings. Total equity attributable to shareholders was HK\$1,870.3 million as at 31 December 2001, representing an increase of 5.1% over last year.

As at 31 December 2001, the Group's outstanding convertible notes was totaled HK\$319,700,000. It comprised convertible notes of HK\$219,700,000 in aggregate issued in September 2000 ("Note A") and convertible notes of HK\$100,000,000 in aggregate issued in July 2001 ("Note B"). Both Note A and Note B are unsecured and bears interest at 5% per annum, payable annually in arrears and will be due for redemption on 5 September 2002 and 31 July 2004 respectively.

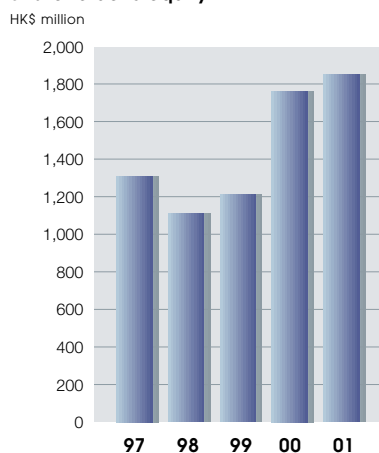
In July 2001, the Company issued 1,312,586,000 warrants ("New Warrants") through a private placement at an issue price of HK\$0.02 per warrant. The net proceeds from the placing of New Warrants were approximately HK\$25.7 million. An aggregate of 1,312,586,000 shares will be issued upon full subscription for new shares of the Company at an initial subscription price of HK\$0.09 per share (subject to adjustment) upon exercise of the New Warrants.

All of the warrants of the Company expired after 14 September 2001 except the New Warrants.

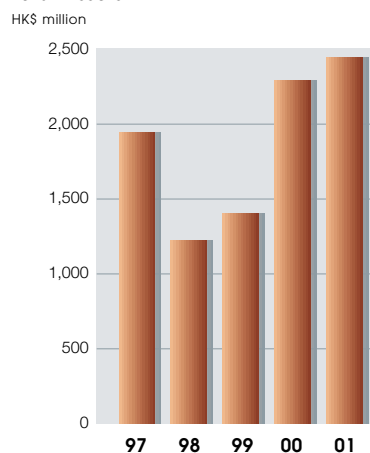
All of the above proceeds were used as working capital for the Group and to further diversify the Company's business.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

Shareholder's equity



Total Assets



PLEDGE OF ASSETS

As at 31 December 2001, the Group pledged its leasehold properties and investment properties with an aggregate carrying value of approximately HK\$68,795,000 and time deposits of HK\$7,947,000 as security for general banking facilities granted to the Group.

EMPLOYEES

As at 31 December 2001, the Group employed a total of 90 employees in Hong Kong and a workforce of 2,544 in the PRC.

Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to staff's provident fund and discretionary training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

MAJOR DISPOSAL OF SUBSIDIARY

On 12 April 2001, the Group disposed of a wholly-owned subsidiary, the principal asset of which is an investment property situated in the People's Republic of China with a carrying value of HK\$230,398,000. The cash consideration for the disposal was HK\$230,398,000.

SIGNIFICANT INVESTMENTS

As at 31 December 2001, the Group maintained its investment in equity interest of an associate company, Prestige Properties Holdings Ltd ("Prestige"), a company listed in Hong Kong Stock Exchange with a carrying value of HK\$611.3 million. The net profit attributable to shareholders of Prestige for the year was HK\$33.1 million. As at 31 December 2001, the Group held a portfolio of listed securities with an aggregated market value of HK\$300 million. The dividend income from these listed securities for the year amounted to HK\$0.8 million.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate the Company is not or was not in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong for any part of the year covered by the annual report.

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

FINAL DIVIDEND

The Board of Directors has resolved not to recommend any final dividend in respect of the financial year ended 31 December 2001 at the forthcoming Annual General Meeting to be held on 29 May 2002.

PURCHASE, SALE & REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication throughout the year.

On Behalf of the Board

Cheung Chung Kiu

Chairman

Hong Kong, 12 April 2002