FINAL RESULTS

For the year under review, the Group recorded a turnover of HK$240,683,000 (2001: HK$322,476,000) and a net loss of HK$47,675,000 (2001: HK$84,147,000). Loss per share was HK2 cents. The Group's loss from operations was reduced by 44% to HK$72,839,000 (2001: HK$129,563,000), mainly because the Group had disposed of its remaining interest in the loss-making pharmaceutical, health products and foodstuffs operations during the year.

Owing to the adoption by the Group of a new accounting policy for goodwill in the current year, the Group reported net loss for the year ended 31st March, 2001 was restated and increased by a prior year adjustment of HK$48,674,000, representing the impairment loss recognised in respect of goodwill arising from the acquisition of an associate during that year.

The Directors do not recommend the payment of a final dividend for the year.

BUSINESS REVIEW

For the year under review, the Group continued to engage in the four major business segments, namely, provision of finance, trading and investment in securities, property holding and investment, and investment holding. The Group discontinued its pharmaceutical, health products and foodstuffs operations during the year, and has acquired certain new investments, including the equity interest in a company engaged in the manufacturing of GPS-based public security systems and devices in the People's Republic of China ("PRC"), and part of the shopping mall of Metropolitan Plaza located in Shenzhen, the PRC. The acquisition of the shopping mall property is expected to be completed by the end of 2002.

Provision of Finance

The Group's money lending operation registered a profit of HK$5,869,000 for the current financial year. Revenue from this business segment increased by 35% to HK$6,533,000 (2001: HK$4,830,000) with the size of the loan portfolio expanded considerably when compared to last year. The Directors will continue to closely monitor the performance of this operation so as to maintain its positive contribution to the Group's results.

Trading and Investment in Securities

Largely due to the rather weak performance of the local stock market during the second-half of the Group's financial year, this business segment continued to incur a loss of HK$9,504,000 for the year under review (2001: HK$16,905,000). The Group's securities holdings were all liquidated before the year end and funds available had been provisionally put to other operational use.

Property Holding and Investment

The Group's property operations incurred a loss of HK$11,105,000 for the current year. The fall in market value of the Group's existing property portfolio in the PRC had caused the operations to recognise impairment loss and valuation deficits totalled HK$11,680,000, although rental income generated from the portfolio remained stable at about HK$2,100,000. Taken as a whole, the Group's existing property portfolio is under-performing due to its low occupancy rate and limited prospect of value growth. Various alternatives are now being considered by the Directors for better utilisation of financial resources allocated to this business segment.

Investment Activities

For the year under review, income from investments increased by 51% to HK$5,117,000 (2001: HK$3,378,000), in spite of an impairment loss of HK$37,000,000 that was recognised for an investment in a financial services group, whose subsidiaries are principally engaged in the securities brokerage and corporate finance advisory services, due to the worsening of its financial position. The mixed performance among the various investments had caused the Group's investment activities to record an overall loss of HK$34,272,000.

Pharmaceutical, Health Products and Foodstuffs

In November 2001, the Group discontinued its pharmaceutical, health products and foodstuffs operations by disposing of its remaining 51% interest in Tung Fong Hung Investment Limited ("TFHI"). The operations of TFHI have been loss-making for many years, up to the date of disposal, the operations posted a loss of HK$12,418,000 (before minority interests) to the Group's current year results. The Directors consider that the disposal of TFHI is beneficial to the Group as it will alleviate the adverse pressure on the Group's future financial performance, and allow the Group's financial resources to be put to more effective use. The disposal of the 51% interest in TFHI was made pursuant to the exercise of a put option arrangement previously entered, the consideration for sale was HK$45,900,000, and a gain on disposal of HK$24,525,000 was recorded by the Group.

Acquisitions and Disposals

Since the last financial year, a series of asset acquisitions and disposals have been made by the Group. During the current financial year, the Group disposed of its remaining interest in TFHI as mentioned and acquired a 14% interest in a company specialised in providing the 'intelligent home' property management system. The company is focusing on the large-scale residential property market in the Mainland and is expected to achieve a continual sales growth in the coming years.

Subsequent to the balance sheet date, in April 2002, the Group entered into agreements with the vendors of Henan Xingbang Pharmacy Limited ("Xingbang Pharmacy") to terminate the acquisitions of the entire equity interest in Xingbang Pharmacy. The vendors have not obtained the requisite approvals, including the conversion of Xingbang Pharmacy into a wholly foreign-owned enterprise, from the relevant authorities in the PRC after a prolonged extension of the completion date. As a result, the Directors consider that it is in the best interests of the Group to terminate the acquisitions and to recover the deposits paid. Deposits plus accrued interests agreed to be refunded by the vendors amounted to HK$88,802,000, up to present, an aggregate amount of HK$59,959,000 has been received by the Group according to the termination agreements. In the same month, the Group acquired a 66.7% interest in a PRC equity joint venture company engaged in the manufacturing of GPS-based public security systems and devices. The products of this company are of wide applications and the Directors are optimistic about its future performance.

In May 2002, the Group entered into an agreement to acquire part of the shopping mall of Metropolitan Plaza with an approximate gross floor area of 12,115 sq.m. for a consideration of HK$182,868,000. Metropolitan Plaza is located in Fu Tian District, being one of the most business thriving districts in Shenzhen, and is in close proximity to Huang Gang Boundary Crossing. It is now under construction and is expected to be completed by the end of 2002. The Directors consider that the shopping mall property has good investment potential in view of its location and the large development scale of Metropolitan Plaza. Also in May 2002, in light of the continual soft market sentiment and uncertainty of the internet businesses, the Group decided to recover the investment in a convertible note of HK$53,000,000 issued by a technology holding company. A large part of the convertible note principal of HK$43,000,000 plus accrued interest have been received by the Group and the remaining balance of HK$10,000,000 will be wholly repayable before the end of 2002.

Business Prospect

The Group is in the transitional stage of rationalise its asset portfolio and to promote efficiency of the various aspects of its operations. Positive steps including the disposals of some under-performing assets and cost-cutting measures have been undertaken, and performance of the Group's various business segments are constantly being assessed by the Directors. To further the Group's objective of improving return to our shareholders, certain new investments aiming to foster the Group's earning base have also been made, which coupled with the result that Mainland related investments now represent a greater portion of the Group's asset portfolio. The Directors are optimistic that these Mainland's investments will continue to be benefited by the strong momentum of the country's economic growth, and will generate favorable returns to the Group when they mature.

Employees and Remuneration Policy

As at 31st March, 2002, the Group had about 20 employees including directors. The Group remunerates its employees according to their performance, nature of the job and general market trends. Remuneration of employees are reviewed on an annual basis. Remuneration packages, including the grant of share options, are structured to motivate individual performance and contribution to the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

At the balance sheet date, the Group was in strong liquidity position with net current assets amounted to HK$438,202,000, representing an increase of 33% when compared to HK$330,506,000 last year. The Group was also in net cash position, holding bank balances and cash totalled HK$42,404,000 with no bank borrowing. Properties held for resale with a carrying value of HK$30,000,000 were pledged to secure a revolving loan facility that was unutilised at year end.

With the amount of liquid assets on hand as well as the available credit facilities, the Directors are of the view that the Group has sufficient financial resources to satisfy its ongoing operational requirements.

Foreign Currency Management

At present, the Group's foreign currency transactions are mostly denominated in Renminbi. As the exchange rate of Hong Kong dollars to Renminbi was relatively stable in the past years, the Directors consider that the Group's exposure to exchange rate risk is not significant. Appropriate measures will be undertaken by the Group to meet changes in circumstances.

Shareholders' Funds

The Group's capital base has been substantially strengthened following the Company's share placement and rights issue in May and August 2001 respectively which together raised new funds of HK$221,863,000 (net of expenses). Shareholders' funds of the Group increased sharply by 51% to HK$504,116,000 at 31st March, 2002 (2001: HK$333,800,000), which is equivalent to a net asset value of HK16 cents per share of the Company.

New funds raised during the year have been principally applied towards the acquisitions of the 14% interest in a company specialised in providing the 'intelligent home' property management system; the acquisition of the 66.7% interest in a company engaged in the manufacturing of GPS-based public security systems and devices; the enlargement of the loan portfolio of the money lending business and the addition to general working capital of the Group.

APPRECIATION

The year under review was another challenging year for the Group. Taking this opportunity, the Board of Directors would like to thank all management and staff for their hard work and loyal service throughout the year.

On behalf of the Board

Kwong Wai Tim, William
Managing Director

Hong Kong, 18th July, 2002