

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I submit to the Shareholders the Annual Report of the Group for the year ended 31st March 2002.

RESULTS

During the year, the Group's profits attributable to Shareholders was HK\$14,315,990 (2000/2001: HK\$14,530,548). Earnings per share was HK10.9 cents (2000/2001: HK11.0 cents). Turnover was HK\$162,157,378 (2000/2001: HK\$180,275,534).

During the year, the Group's profit before taxation was HK\$15,976,471 (2000/2001: HK\$15,303,583). Given below is an analysis of the profit from operations of the Group's principal activities:

	2002	2001
	HK\$	HK\$
Property investments and development	5,795,564	3,119,190
Manufacturing and trading of plastic packaging materials	12,650,717	3,023,417
Stock broking and finance	535,769	23,190,177
Investments in securities	—	(172,067)
Exchange reserve realised upon winding up of a subsidiary	2,792,025	—
Profit from operations	21,774,075	29,160,717
Finance costs	(8,005,314)	(17,909,040)
Share of profits of associates	2,207,710	4,051,906
Profit before taxation	15,976,471	15,303,583

DIVIDENDS

No interim dividend was paid during the year. The Directors have recommended the payment of a final dividend of HK4 cents per share, subject to the Shareholders' approval at the forthcoming Annual General Meeting. The total dividend distribution for this year will be HK4 cents per share.

CHAIRMAN'S STATEMENT (Cont'd)

BONUS ISSUE

The Directors have recommended a bonus issue on the basis of 1 new share for every 2 shares held by the Shareholders whose names appear on the register of members of the Company on 18th September, 2002, subject to the Shareholders' approval at the forthcoming Annual General Meeting and listing being granted by The Stock Exchange of Hong Kong Limited. Such new shares will rank pari passu with the existing issued shares of the Company in all respects, except that they will not rank for the final dividend for the year ended 31st March, 2002.

DISCUSSION & ANALYSIS OF THE GROUP'S PERFORMANCE

REVIEW OF OPERATIONS

Property Investments and Development

Despite the continuous declination of the Hong Kong property leasing market, the Group's overall net rental income amounted to HK\$17.71 million, a slight increase of 2.2% from last year.

Hong Kong

a) Dragon House, Tsimshatsui

This nine-storey commercial/residential building is located in the commercial and shopping centre of Tsimshatsui and its total gross floor area is approximately 2,800 square meters. The Group retains 7 units for self-use and all other units are for lease. During this year, the net rental income amounted to HK\$12.97 million, a slight increase of 3.1% as compared with that of last year.

b) Nan Sing Industrial Building, Kwai Chung

This ten-storey industrial building is located in Kwai Chung industrial area and its total gross floor area is approximately 11,000 square meters. During this year, this property was still wholly let to a third party for running godown business. The net rental income amounting to HK\$4.56 million was similar to that of last year.

c) 24 Essex Road, Kowloon Tong

This two-storey building is located in Kowloon Tong and its total gross floor area is approximately 600 square meters. This property is still used for operating guesthouse business. During this year, this business recorded a turnover of HK\$3.48 million, a decrease of 16.3% from that of last year.



CHAIRMAN'S STATEMENT (Cont'd)

DISCUSSION & ANALYSIS OF THE GROUP'S PERFORMANCE (Cont'd)

REVIEW OF OPERATIONS (Cont'd)

Property Investments and Development (Cont'd)

Mainland China

a) Tower 1 Residential Building , Ming Yue Hua Yuan, Futian District, Shenzhen

During this year, the oversupply problem still persisted in the property market of Mainland China. At 31st March 2022, the Group still held 52 units of Ming Yue Hua Yuan with a total gross floor area of 5,320 square meters.

b) Shopping mall and car parks in Ming Yue Hua Yuan, Futian District, Shenzhen

The Group, through an associate, owns 20% interest in the shopping mall situated at the Ground floor of Ming Yue Hua Yuan with an area of over two thousand square meters as well as 36 car parks in the basement thereof. During this year, the associate has generated income from wholly letting the shopping mall to third parties.

c) Tianjian Yangguang Hua Yuan, Futian District, Shenzhen

The main developer of this project has nearly completed the property sale. For the main developer to return the Group's investment cost, the total amount is calculated in accordance with the sale value of 10% saleable area of this project. During this year, the Group recognised impairment loss of the investment cost and recorded the carrying value as "Other Receivables" at year end. It is expected that the sum will be settled in the next financial year.

d) Huaxin Garden & Nan Sing Building in Zhangmutou, Dongguan

The Group has decided to use portion of the land previously planned for building the Huaxin Garden as the expansion site of the enlarged Dongguan Nan Sing factory. The Group will appoint an architect to design the master plan. In addition, the Group is in preparation to build a commercial building on the original site of the Nan Sing Building that we are now applying for re-opening the construction work.

Philippines

The Group is still holding 49% equity interest in an associate, Titan Dragon Properties Corporation. It holds a piece of land approximately 71,000 square meters in the residential area of Quezon City, Manila for developing residential properties. The company again deferred the development of this project due to the depressed local property market.

CHAIRMAN'S STATEMENT (Cont'd)

DISCUSSION & ANALYSIS OF THE GROUP'S PERFORMANCE (Cont'd)

REVIEW OF OPERATIONS (Cont'd)

Manufacturing and trading of Plastic Packaging Materials

During this year, this business recorded an operating profit before finance cost of HK\$12.65 million (2000/2001: HK\$3.02 million). Turnover amounted to HK\$ 126.58 million, a slight decrease of 1.2% from last year.

The marked improvement in business profitability despite severe worldwide competition is a result of persistent effort in cost control, new market development, production technology innovation, and product quality improvement. The low fuel and resin costs have also attributed to the favourable result. To keep in line with the business growth, the Dongguan Nan Sing factory will be adding a new wing on the adjacent site to increase production capacity.

Stock broking & Finance

The turnover in the Hong Kong stock market remained low this year, but the competition became more severe. Though the minimum brokerage commission rules will not be abolished until April 2003, the pressure to cut brokerage commission remains and the industry is undergoing very tough time. During this year, the turnover of our stockbroking business decreased by 39.2% as compared with that of last year and the interest income also decreased by 24.9%. Brokerage income of HK\$12.56 million was recorded, representing a decrease of 41.8% from that of the last year.

Our stock broking division has entered into an agreement with a software provider to lease the Broker Supplied System. The system is now undergoing the sixth-batch system testing arranged by the Stock Exchange and is expected to provide our clients with internet trading services in the next financial year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues its past practice of sound financial management by maintaining a healthy balance sheet. At the year end, the Group's bank borrowings rose from HK\$107.18 million of the last year to HK\$117.57 million this year, in which the short term borrowings amounted to HK\$89.14 million and long term borrowings amounted to HK\$28.43 million. The Group's current year debt/equity ratio was 30.1% expressed as a percentage of the Group's total bank borrowings over the Shareholders' funds of HK\$390.2 million.

To minimize exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars and United States dollars. The Group has no significant exposure to foreign exchange rate fluctuations.

CHAIRMAN'S STATEMENT (Cont'd)

DISCUSSION & ANALYSIS OF THE GROUP'S PERFORMANCE (Cont'd)

CAPITAL STRUCTURE

As at 31st March 2002, the Group's Shareholders' funds amounted to HK\$390.2 million (2000/2001: HK\$389.74 million). The Shareholders' funds already reflected the downward adjustment of the Group's investment properties resulting from the revaluation of the same at the market value prevailing at 31st March, 2002. The revaluation deficit had been reflected in the revaluation reserve of this year. The Group's consolidated net assets per share as at the year end date was HK\$2.96.

PLEDGE OF ASSETS

Details of pledge of assets are set out in note 34 to the financial statements on page 51.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 35 to the financial statements on page 51.

EMPLOYEES

The Group had approximately 800 employees as at 31st March 2002. Employees were remunerated according to nature of the job and market trend.

RETIREMENT SCHEME

The Group had joined a Mandatory Provident Fund Scheme to conform to the requirements as stipulated in the Mandatory Provident Schemes Ordinance. Details of the scheme are set out in note 31 to the financial statements on page 49.

OUTLOOK

In the past year, Hong Kong's economy was adversely affected as the global economy continued to slow down and the decline was further aggravated by the September 11 incident in the US. Moreover, enterprises are now coming under international competition intensified by the march of globalisation. Consequently, Hong Kong not only has to endure external economic volatility but also need to bear the pressure caused by internal economic transformation. In spite of the countless business opportunities in Mainland China following its acceptance to the World Trade Organisation, the benefit to the local economy will not be materialized for some time. Though recent signs have shown that the United States economy is recovering, the local economy still has many uncertainties and will continue to affect the businesses of the Group.

CHAIRMAN'S STATEMENT (Cont'd)

OUTLOOK (Cont'd)

Looking forward in the coming year, the Group will expand Dongguan Nan Sing factory and focus in developing the business of manufacturing and trading of plastic packaging material. On the brokerage side, if the so-called QDII - Qualified Domestic Institutional Investors are allowed to invest in Hong Kong stocks in the near future, it is expected that the turnover will increase significantly and this will also bring positive effects to Hong Kong's general economy, stock market and our securities business.

The Group plans to face the many challenges of the future by continuing our cost control focus, to further improve our overall operational efficiency, and at the same time, seek expansion opportunities along the line of our expertise.

APPRECIATION

Finally, I sincerely thank the Board and all staff for their diligence and dedication in the past year.

Chua Nai Tuen

Chairman

Hong Kong, 12th July, 2002

