

BUSINESS REVIEW

Turnover of the Group for the year ended 31st March, 2002 increased significantly to HK\$521,671,000 compared with HK\$111,810,000 for last year. The increase was mainly attributable to the sale of the Villa Pinada during the year. Goldline Properties Ltd ("Goldline"), an associated company in previous year, became a wholly owned subsidiary in this year. It was holding a portfolio of investment properties located in London with a market value of HK\$254,000,000 at the time of acquisition and contributed HK\$18 million rental income to the Group during the year. The Group also started a Chinese restaurant business during the year.

BUSINESS PROSPECTS

Property Development

Sales of the Villa Pinada subsequent to the year end date is satisfactory and the project will continue to generate a profit for the Group in the following year. The project will be completed before the end of 2002.

The Group will launch "the Aegean" located in So Kwan Wat shortly once the presale approval is obtained. The site has a total marketable floor area of approximately 100,000 square feet with 81 units of flats and duplex units, 8 houses and 135 car parking spaces. The Directors expect that the sale of Aegean will generate a satisfactory profit for the Group.

The luxury house project at Bowen Road with marketable floor area of 7,063 square feet has been completed. The Group is actively marketing the house and it is anticipated that its sale will generate considerable profit for the Group.

The property development project located at Chang An Town, Dongguan City will be completed in September 2002. Majority of the residential units has been pre-sold. Profit for the sale will be booked into accounts in the following year.

The property market is in the track of recovery. The Government's recent announcement of new subsidised housing policy and the streamlining of the structure of housing bodies give a positive impact to the property market. The Directors believe that with the current low interest rate, properties with competitive price will be well received by homebuyers. The Directors are optimistic about the performance of the Group in the following year.

Property Investment

As at 31st March, 2002, the market value of investment properties held by the Group amounted to HK\$717 million. They will continue to generate a stable recurrent rental income for the group. The revaluation surplus of investment properties for this year of HK\$13,000,000 was mainly contributed by the properties portfolio located in London.

The construction of an investment property with floor area of 14,000 sq. ft. and located in London China Town was completed in June 2002. Given its prime location, it will contribute a satisfactory rental income for the Group.

FINANCIAL RESOURCES AND LIQUIDITY

The aggregate bank and other borrowings was increased to HK\$1,225,607,000 (31st March, 2001: HK\$1,082,053,000). The increase was mainly attributable to the financing of investment properties acquired through Goldline during the year. The majority of bank and other borrowings were denominated in the currencies for which assets were financed and interest were borne at floating rates. Borrowings were mainly applied to finance acquisition of investment properties, properties development and working capital. During the year, the group made a rearrangement with the debenture holder to redeem the outstanding convertible debenture before the end of 2002. The Directors expect that the borrowings will decrease upon disposal of Villa Pinada, property at Bowen Road, the Aegean and the Chang An Town project. The Directors believe that the Group will continue to obtain the support of current banks and that it will have sufficient funding for its operational requirements.

As at 31st March, 2002, the Group's total shareholders' funds was HK\$828,427,000 (31st March, 2001: HK\$827,498,000). The net asset value per share of the Group as at 31st March, 2002 was HK\$0.88. The gearing ratio, calculated at the ratio of non-current liabilities to shareholders' funds as at 31st March, 2002 was 0.93.

PERSONNEL

Remuneration packages are reviewed from time to time. In addition to salaries, the Group provides staff benefits, including medical insurance and contributions to provident fund. As at 31st March, 2002, the number of employees of the Group was approximately 180. Staff cost and retirement benefits scheme contribution paid for the year was HK\$36 million.

AUDIT COMMITTEE

The Audit Committee members have meetings during the year to discuss the financial position and review the financial statements of the Group. The members also meet at least annually with the auditors to discuss issues on accounting and internal controls.

APPRECIATION

Taking this opportunity, I would like to thank our bankers for their continued support and all our staff for their dedication and loyal services.

Tai Kuen, S.B.S., J.P.
Chairman

Hong Kong, 10th July, 2002