

Management Discussion and Analysis

Business review

As stated in our 2002 interim report, the Group is now in the process of evaluating its core business and opportunities in the diversification into new business areas since the completion of restructuring and fund raising last year. This explains for the reason of the relative low level of business activities for the year ended 30 November 2002. Turnover of the Group for the year was about HK\$824,000 representing a drop of 51% from last year. Nevertheless, as management successfully disposed of two subsidiaries not required by the Group under its current mode of operation generating a gain of about HK\$34 million and also successfully implemented effective cost control measures resulting in that total operating expenses for the year were substantially reduced by about HK\$6 million to about HK\$14 million, the Group finally attained an overall net profit of approximately HK\$20 million for the full fiscal 2002.

Liquidity and resources

The Group has financed its business development by means of internal resources with unutilised cash and bank balances of approximately HK\$43 million as at 30 November 2002. Total borrowings of the Group, which are all indebted by its PRC subsidiaries and are not guaranteed by the Company, amounted to approximately HK\$11 million at the balance sheet date and gearing ratio expressed as a percentage of total borrowings of approximately HK\$11 million over net asset value of approximately HK\$35 million was substantially improved from 84% in 2001 to 32% following the disposal of subsidiaries. The relative strong cash position and low gearing ratio reflect the financially healthy status of the Group.

Pledge of assets

As at 30 November 2002, certain assets of the Group with an aggregate net book value of approximately HK\$9,253,000 were pledged to secure credit facilities granted to the Group.

Employees

As at 30 November 2002, the total number of employees of the Group was about 20. The Group continues to adopt the same remuneration policy as last year with reference to prevailing market practice and basing on the individual performance, working experience and degree of hardship of the employees.

Prospects

The Group has consistently adopted a careful and prudent approach in the activation and diversification of its business in order to protect the shareholders' value of investment. Under the progress of our current development plan with a primary focus in China, our objective of activating the Group's business in various different areas of high growth and return will soon be materialized.

ON BEHALF OF THE BOARD

Yeung Kwok Kwong

Chairman

Hong Kong, 28 March 2003