

REVIEW OF OPERATIONS

The Company and its subsidiaries (the "Group") have reported a net profit of HK\$520,547 for the year ended 31st December 2002, comparing the net profit of HK\$1,114,065 recorded for the year ended 31st December 2001.

The Group took a strategic change in its investment strategies during the year. To take advantage of low interest rates and attractive valuations among quality stocks, the Group reduced its cash holding and built a larger portfolio of listed securities, which covers a wide spectrum of industries and sectors. As an investment company, the Group continued to derive most of its revenue from sale and holding gain of trading securities, interest income and dividend, which respectively represents 92.7%, 2.1% and 5.2% of the total revenue of HK\$41,730,817. Although the Group has made losses of HK\$3,410,359 from revenue of trading of securities of HK\$38,667,190 in the year, there is an unrealised gain of HK\$9,793,500 in the holding of trading securities of HK\$49,787,500 by the Group. Market value of the Group's long-term investment portfolio rose to HK\$84,853,388, comparing to the investment value of HK\$23,200,000 recorded on 31st December 2001.

The Group's equity securities listed in Hong Kong and deposits with banks represent respectively 108.1% and 0.3% of the net assets of the Group, as at 31st December 2002. Although the Hang Seng Index closed 21.8% lower at 9,321 in 2002, the Group managed to achieve 10.5% year-on-year growth in net asset value. The net asset value per ordinary share of the Company increased to HK\$0.62 at the end of 2002 mainly due to the increase of unrealised holding gain in market value of both short-term and long-term investments in listed equity securities of HK\$134,640,888 at 31st December 2002.

The breakdown of the Group's portfolio of investment assets in terms of investment types as at 31st December 2002 is as follows:

Item	Market value <i>HK\$'000</i>	Percentage of consolidated net asset value
Cash and deposits		
with banks	393	0.3%
Listed equity securities		
in Hong Kong	134,641	108.1%

In view of the low interest rates, the Group had applied and been granted credit facilities from one of the Group's principal banks and HK\$12,050,622 was drawn for investments during the year and there was no material contingent liability as at 31st December 2002.

The breakdown of the Group's portfolio of investment assets in terms of individual items as at 31st December 2002 is as follows:

Short-term investments

139 Holdings Limited ("139 Holdings") is principally engaged in the manufacture, trading and distribution of garments, shoes and other merchandise. The loss attributable to shareholders of 139 Holdings for the year ended 31st March 2002 was approximately HK\$48,265,000. During the year, the Company invested HK\$1,720,000 in 139 Holdings, representing an interest of 4.99%, and did not receive any dividend from this investment. On 31st December 2002, market value of this item amounted to HK\$4,300,000, translating into 3.45% of the Group's consolidated net asset value.

The principal activity of Heritage International Holdings Limited ("Heritage") is property investment and development. It also diversified the business into the investments of high value-added technology-related businesses. The loss attributable to shareholders of Heritage for the year ended 31st March 2002 was approximately HK\$238,073,000. During the year, the Company invested HK\$13,000,000 in Heritage, representing an interest of 5.51%, and did not receive any dividend from this investment. On 31st December 2002, market value of this item amounted to HK\$15,750,000, translating into 12.65% of the Group's consolidated net asset value.

The principal activities of Wonson International Holdings Limited ("Wonson") are metal trading and strategic investment. It owns 34.87% equity in Beauforte Investors Corporations Limited. The loss attributable to shareholders of Wonson for the year ended 31st December 2001 was approximately HK\$28,452,000. During the year, the Company invested HK\$744,000 in Wonson, representing an interest of 0.23%, and did not receive any dividend from this investment. On 31st December 2002, market value of this item amounted to HK\$697,500, translating into 0.56% of the Group's consolidated net asset value.

The principal activity of Radford Capital Investment Limited ("Radford") is investment holding. Its principal objective is to achieve earnings in the form of short to medium term capital appreciation mainly through investment in a diversified portfolio of listed or unlisted enterprises in Hong Kong or the People's Republic of China. During the year, the Company invested HK\$17,250,000 in Radford, representing an interest of 3.92%, and did not receive any dividend from this investment. On 31st December 2002, market value of this item amounted to HK\$19,800,000, translating into 15.90% of the Group's consolidated net asset value. Dr. PANG Shuen Wai, Nichols, an executive director of the Company, is also a director of CU Investment Management Limited, which was appointed a research consultant of Radford on 30th September 2002.

Short-term investments *(Continued)*

The principal activities of China Sci-Tech Holdings Limited ("China Sci-Tech") are the manufacture and sale of telecommunication products and the trading of electronic and electrical products. The loss attributable to shareholders of China Sci-Tech for the year ended 31st March 2002 was approximately HK\$347,920,000. During the year, the Company invested HK\$7,280,000 in China Sci-Tech, representing an interest of 4.82%, and did not receive any dividend from this investment. On 31st December 2002, market value of this item amounted to HK\$9,240,000, translating into 7.42% of the Group's consolidated net asset value.

Long-term investments

Asia Standard International Group Limited ("Asia Standard") is principally engaged in property sales and investment, hotel and management services businesses. The loss attributable to shareholders of Asia Standard for the year ended 31st March 2002 was approximately HK\$481,365,000. During the year, the Company invested HK\$17,375,000 in Asia Standard, representing an interest of 1.50%, and did not receive any dividend from this investment. On 31st December 2002, market value of this item amounted to HK\$17,220,000, translating into 13.83% of the Group's consolidated net asset value.

The principal activities of China United Holdings Limited ("China United") are property investment and development, investment holding, provision of internet services, investment in marketable securities and the provision of brokerage and financial services and the manufacture and distribution of laminated PVC steel plates and fire-proof materials. The loss attributable to shareholders of China United for the year ended 31st December 2001 was approximately HK\$351,560,000. During the year, the Company invested HK\$12,741,200 in China United, representing an interest of 9.39%, and earned a dividend of approximately HK\$1,616,000 from this investment. On 31st December 2002, market value of this item amounted to HK\$43,279,500, translating into 34.75% of the Group's consolidated net asset value.

The principal activities of Yugang International Limited ("Yugang") are trading of audio-visual products and components, industrial equipment, automobile parts, agricultural products and investment and property holding. Its principal listed subsidiaries and associated companies include: the 51.48% owned Qualipak International Holdings Limited, the 34.25% owned Y.T. Realty Group Limited which holds a 26.81% equity stake in Cross-Harbour (Holdings) Limited. The project attributable to shareholders of Yugang for the year ended 31st December 2001 was approximately HK\$74,715,000. During the year, the Company invested HK\$11,362,716 in Yugang, representing an interest of 3.63%, and did not receive any dividend from this investment. On 31st December 2002, market value of this item amounted to HK\$7,355,088, translating into 5.91% of the Group's consolidated net asset value.

Long-term investments *(Continued)*

The principal activities of Qualipak International Holdings Limited ("Qualipak") are the design, development, manufacture and sale of packaging products for designer label items and luxury consumer goods, point-of-sale display units and office stationery. The profit attributable to shareholders of Qualipak for the year ended 31st December 2001 was approximately HK\$24,440,000. During the year, the Company invested HK\$20,283,950 in Qualipak, representing an interest of 2.55%, and did not receive any dividend from this investment. On 31st December 2002, market value of this item amounted to HK\$16,998,800, translating into 13.65% of the group's consolidated net asset value.

In view of the low interest rates, the Group had applied and been granted credit facilities from one of the Group's principal banks and HK\$12,050,622 was drawn for investments during the year and there was no material contingent liability as at 31st December 2002.

PROSPECTS

We remain cautiously optimistic towards the outlook for the investment market although political tension in Near East, Middle East and North Asia will continue to impose pressure on the valuations of listed instruments. Any interest rates increase is expected to be moderate, while mainland China, being Hong Kong's main hinterland, is anticipated to remain solid in terms of economic growth.

EMPLOYEES

Currently, the Group has 4 employees, who are remunerated in line with industry practice. For the year ended 31st December 2002, the total staff costs incurred by the Group were approximately HK\$1,979,000 and there has been no significant change in the Group's remuneration policy.

NGAN Man Kit

Chairman

Hong Kong, 28th March 2003