

Chairman's Statement & Management Discussion and Analysis

BUSINESS REVIEW

Year 2002 remained a difficult and challenging one for the Hong Kong economy. External environmental uncertainties such as global political and general economic uncertainties adversely impacted the Hong Kong economy. The major internal factors of Hong Kong such as the lingering threat of unemployment, downward adjustment of wages and persistently high deflation etc almost caused a sagging retail market and disappointing economic performance of Hong Kong. Despite sluggish demand for automobile parts, the packaging business that is one of the diversified operations of the Group was able to maintain its sales volume with stable demand. The Group's turnover for the year was HK\$242.8 million, a decrease of 33.5% from last year.

Packaging Business

The packaging business is carried on by a subsidiary, Qualipak International Holdings Ltd ("Qualipak"), a listed company in Hong Kong.

During the year, the global demand for packaging products decreased significantly due to the effect of global economic downturn. The running down of inventories by customers, keen price competition and the uncertain prospect of recovery further suppressed customer's demand. Customers generally took a cautious approach in placing new orders. The sale of packaging products for the year was HK\$218.9 million, representing a slight decrease of 1.2% from the last year. It was mainly attributable to the growth in sales volume in pieces by 12% in the second half year as compared to the first half of the current financial year.

In view of the economic environment, Qualipak has taken proactive measures to better manage the manufacturing costs and broaden the sourcing of materials. Qualipak thus achieved a net profit after tax of HK\$24.8 million for the year, being 2.2% increase from last year.

Property Investment Business

The property investment business is held through a substantial holding of an equity interest in an associate, Y.T. Realty Group Limited ("Y.T. Realty"), a listed company in Hong Kong.

The major investment properties held by Y.T. Realty include whole block of Century Square and Prestige Tower situated in the core of Central District and Tsimshatsui respectively and the 2nd Floor of New Mandarin Plaza situated in Tsimshatsui etc.

The gross rental income of Y.T. Realty was HK\$110.7 million, 13% lower than that of 2001. The net profit, after provision for unrealized loss on properties revaluation of HK\$43.4 million, was HK\$22.4 million for the year. During the year, the performance of the Group's property investment business was unable to immune from economic pressure outside our control. The property market in particular the commercial leasing sector, was clouded with various negative factors such as intense market competition, notable shrinkage of property market demand, particular high vacancy rate as well as high level of supply for office premises and large scale of slipping of average rental rates etc.

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BUSINESS REVIEW (Continued)

Property Investment Business (Continued)

Despite the difficult market condition of the commercial leasing market, the level of occupancy rate for the said three major investment properties was maintained at an average of about 94%. Favourable locations of the buildings, proactive leasing approach and dedicated management services are, amongst other things, main contributors to such stable leasing results. Y.T. Realty will continue to strengthen its contribution to the Group's net profit by maintaining relatively stable leasing result.

Infrastructure Business

The Group has an indirect interest in an infrastructure business that is currently carried on by The Cross-Harbour (Holdings) Ltd ("Cross Harbour"), a listed company in Hong Kong. Cross Harbour reported a net profit of HK\$67.4 million for the year, representing an increase of 5.5% from last year. In spite of an economic downturn of Hong Kong during the year, the operating performance of Cross Harbour was maintained at similar level as previous year under a measure of cost control as well as a proactive approach of marketing. By virtue of the fact that the infrastructure business was able to provide stable income and generate a steady level of cash flow, Cross Harbour will continue as a solid support to the profit contribution of the Group indirectly in coming future.

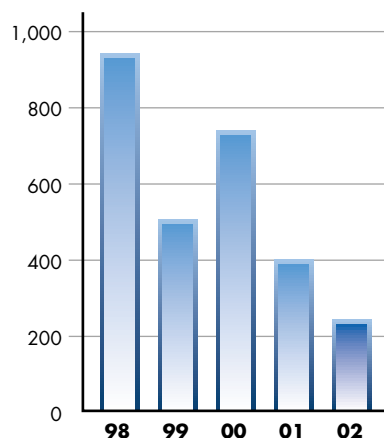
PROSPECT

The packaging business will continue to provide customers with value-added services through excellent design & marketing team and improvement in the manufacturing process. Although the competition of packaging industry will remain keen, the new set up of a manufacturing plant in Zhongshan with larger production capacity enables us to meet all these challenges through improved operating efficiency and enhances our position to obtain orders from new customers in the years to come.

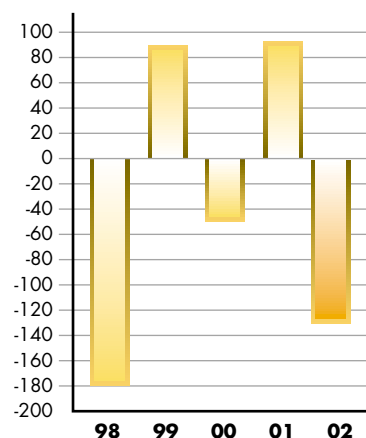
The property investment business will strive to maintain a high level of occupancy rate and reduce vacancy in buildings so as to operate in a sound financial manner, which is of paramount importance in enabling stable returns for the property investment. At the strategic level, our aim is to pursue more diversified investment opportunities with stable growth and yields to enhance the core assets and deliver attractive returns for investors.

The Group has successfully strengthened its income base by maintaining the stable operating results of packaging business, property investment business and infrastructure business. This is an encouraging result achieved by our Group through diversification. Looking ahead, the Group will continue to explore any business opportunities in strategic acquisition of equity interests in Hong Kong or abroad. I am confident that we have a clear focus as well as the financial and management capabilities to face any future challenges as well as opportunities.

Turnover
HK\$ million



Profit/(Loss) before Taxation
HK\$ million



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MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

During the year, the Group recorded a loss attributable to shareholders of HK\$151.4 million. It was mainly attributable to the provision for unrealized losses on securities investment of HK\$58.8 million, a provision for doubtful debts of HK\$71.5 million and a loss of HK\$3.7 million on deemed disposal of partial interest in a listed subsidiary as a result of exercise of its warrants. The Group has held several securities investment for several years. The position of securities investment was frequently reviewed and the unrealized loss was resulted mainly from the volatility of security prices. Therefore, apart from the periodic securities revaluation loss, loss on deemed disposal and the provision for doubtful debts, the Group's net loss was limited to HK\$17.4 million for the year.

The Group's turnover was HK\$242.8 million, a decrease of 33.5% than last year. It was mainly attributable to the sluggish demand of automobile parts.

The other revenue and gains, which comprised mainly interest income from other investments and loan receivable, amounted to HK\$41.2 million, representing a decrease of 37.6% from HK\$66 million recorded in the last year due to lower interest rate maintained for the year.

The Group exercised tight control over the operating expenses, which were further reduced by an amount of approximately HK\$1.2 million, 1.3% lower than last year. Finance cost was also reduced by 12.4% after the redemption of convertible note borrowing of HK\$219.7 million.

As at 31st December 2002, the Group's net asset value was HK\$1,718.9 million and had a net asset value per share of HK\$0.2. The Group's total asset and liabilities (excluding minority interest of HK\$177 million) were HK\$2,111.4 million and HK\$215.5 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2002, the Group's cash and cash equivalent was HK\$594.8 million and there were sufficient unutilized lines of credit available from financial institutions. The gearing ratio, defined as long-term liabilities to shareholders' fund, was calculated as 5.9%. The Group has a working capital ratio of approximately 10.7. All of these indicated the Group has sufficient working capital to support its operation.

As at 31st December 2002, the Group had no bank borrowings and nil contingent liabilities. The only outstanding debt of the Group was a convertible note of HK\$100,000,000.

Whilst sales of the Group mainly denominated in Hong Kong dollars and US dollars, majority of the Group's purchases of raw materials are in Hong Kong dollars. Most bank deposits are maintained in Hong Kong dollars and US dollars. Hence, the Group's exposure to foreign exchange risk is minimal.

CAPITAL STRUCTURE

During the year, the convertible notes of HK\$219,700,000 in aggregate issued in September 2000 was fully redeemed by the Group. This convertible note was unsecured, interest bearing at 5% per annum and was due for redemption in September this year.

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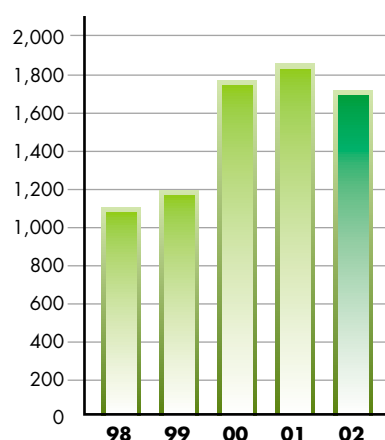
CAPITAL STRUCTURE (Continued)

As at 31st December 2002, the Group's outstanding convertible note remained HK\$100,000,000. The note is unsecured and bears interest at 5% per annum, payable annually in arrears and will be due for redemption on 31 July 2004.

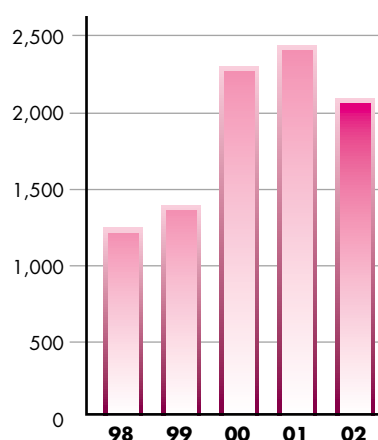
In July 2001, the Company issued 1,312,586,000 warrants through a private placement at an issue price of HK\$0.02 per warrant. The net proceeds from the placing of warrants were approximately HK\$25.7 million. An aggregate of 1,312,586,000 shares will be issued upon full subscription for new shares of the Company at an initial subscription price of HK\$0.09 per share (subject to adjustment) upon exercise of the rights attaching to the warrants. The warrants will be expired on 18th July, 2003.

All of the above proceeds were mainly used as working capital for the Group and to further diversify the Company's business.

Shareholder's equity
HK\$ million



Total Assets
HK\$ million



PLEDGE OF ASSETS

As at 31st December 2002, the Group pledged its leasehold properties and investment property with an aggregate carrying value of approximately HK\$79,948,000 and time deposits of approximately HK\$8,044,000 as security for general banking facilities granted to the Group.

EMPLOYEES

As at 31st December 2002, the Group employed approximately a total of 88 employees in Hong Kong and a workforce of 3,792 in PRC.

Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to staff's provident fund and discretionary training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

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SIGNIFICANT INVESTMENTS

As at 31 December 2002, the Group maintained its investment in equity interest of an associate company, Y.T. Realty Group Ltd ("Y.T. Realty") (Formerly known as Prestige Properties Holdings Ltd), a company listed in Hong Kong Stock Exchange with a carrying value of HK\$609.9 million. The net profit attributable to shareholders of Y.T. Realty for the year was HK\$22.4 million. Further information on the investment in an associate company is provided in Note 19 on the financial statements on pages 53 to 56. As at 31 December 2002, the Group held a portfolio of listed securities with market value as HK\$258.6 million. The dividend income from the listed securities for the year was HK\$1.8 million.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate the Company is not or was not in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong for any part of the year covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

FINAL DIVIDEND

The Board of Directors has resolved not to recommend any final dividend in respect of the financial year ended 31 December, 2002 at the forthcoming Annual General Meeting to be held on 26 May, 2003.

PURCHASE, SALE & REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication throughout the year.

By order of the Board

Cheung Chung Kiu

Chairman

Hong Kong, 28 March 2003