

Chairman's Statement

The Group's consolidated profit attributable to shareholders for 2002 recorded only HK\$4.2 million, representing a large decline from HK\$30.8 million in 2001, mainly due to the fall of rental income from properties investment and unrealized loss in securities investment. Contribution from trading business marked an encouraging increase despite such poor economic environment. Vacant period after the expiration of tenancies mainly in our Shanghai's offices during the year led to a large reduction of rental income. The majority of such vacant spaces had been rented out before end of the year. Geopolitical uncertainty as well as shadowy global economic recovery created large volatility in financial markets. The overall performance of our investment portfolio, which comprises a significant portion of equities, in 2002 was poor. Earning per share for 2002 posted 0.9 cents (2001: 6.9 cents).

Dividend

Interim dividends of HK1.0 cent per ordinary share was declared on 30th August, 2002. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board of Directors recommended a final dividend for 2002 of HK1.50 cents per ordinary share (2001: HK1.5 cents per ordinary share) payable on or before 27th June, 2003 to shareholders whose names appear on the register of members of the Company on 28th May, 2003.

Business Review

For the fiscal year ended 31st December, 2002, total turnover of the Group increased by 24.6% to HK\$1,072.8 million. Turnover generated from trading business during the year accounted for HK\$1,054.7 million, representing an increase of 26.5% compared to HK\$833.7 million for the fiscal year 2001. Turnover generated from rental properties, nevertheless, fell by 26.3% to HK\$14.9 million. Segment results for trading business rose by 8.8% to HK\$30.7 million. Yet segment results for rental properties declined 73.2% to only HK\$8.7 million. Securities investment posted a loss of HK\$14.6 million for the year ended 31st December, 2002.

Results from trading operation performed satisfactory despite that continuous pressures stemmed from turbulent economic environment, price competition, and extremely volatile international market prices. During the year, the Group not only constantly adapted different new strategies to confront such difficult situations but also introduced new products to widen our markets coverage. Weak demand and highly competitive rivals undoubtedly trimmed down the Group's overall gross profit margin. China's economy grew remarkably in 2002 supported by strong domestic demand as well as huge flow of foreign investment. However, overstocking situation still existed inside China and those created imbalances in supply and demand, causing excessive pressure on prices.

Affected by vacant period after the expiration of tenancies during 2002, total rental income dropped significantly in 2002. During the second half of the year, most vacant spaces had successfully been leased out. Office rents in Hong Kong continued to face downward adjustment but Shanghai's office rents remained stable. A deficit of HK\$1.0 million was accordingly recognized on the revaluation of our investment properties in Hong Kong as at 31st December, 2002.

2002 was another gloomy year for the global equity markets. The unsteady state of the global economic recovery and geo-political risks shattered investors' confidence in the equities markets. Under such conditions, our securities portfolio performed poorly and a net unrealized and realized loss of HK\$15.9 million was for the year 2002. In view of the uncertainty in the World economy, we had diversified our portfolio to include more structured products so as to improve our current yield and minimize the impact from the further downside risks in equities sector.

Audit Committee

The company has an audit committee, which comprises three non-executive directors of the Board of whom two of them are independent non-executive directors. Chaired by an independent non-executive director, the Audit Committee meets at least three times a year. Its function is to review the internal and external risk control areas of the Group, make plans with external auditors in relation to the nature and scope of the audit, and review the interim and annual reports of the Group before submission to the Board of Directors for approval. The external auditors together with the Group's financial controller and an executive director attend all audit committee meetings. For the year ended 31st December, 2002, the audit committee met three times in total.

Prospects

The outcome and the duration of the US-led war against Iraq will bear a significant influence on the global economy. Faced with a large number of variables that could happen during and after the war, the Group is determined to better control the operation costs in trading business, introduce more new products in the markets and remain highly alert to formulate new sales strategies in such changing environment. We believe the underlying operations are able to achieve satisfactory results for trading business amid tremendous uncertainties in 2003.

Office rents in Hong Kong will continue to suffer from weak demand and distressed economic environment. However, overall rental income should improve in 2003 as vacant spaces in Shanghai's office are almost fully occupied by end of 2002. Financial markets are expected to have further volatility in the months ahead. We will maintain conservative stance in managing the securities investment unless signs of global economic recovery become more evident.

On behalf of the Board of Directors, I would like to thank all our staff who demonstrated their full efforts to secure our core business in this particular severe situation. The whole Group will continue to devote all strengths to achieve better results for the next year.

LEUNG SHU WING

Chairman

Hong Kong, 28th March, 2003