

Management's Statement

FINANCIAL RESULTS

For the year ended 31 December 2002, the Company recorded a loss of HK\$1,258,317. The loss represents the difference between the unrealised gain from listed securities and administrative and operating expenditure. As compared with HK\$11.4 million unaudited interim profit of the Company, the loss for the year is mainly due to the decrease of unrealised gain from the listed securities.

USE OF PROCEEDS FROM NEW LISTING OF THE COMPANY'S SHARES

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 February 2002. Net proceeds from the placement and the public offer of the Company's shares were approximately HK\$93 million. The net proceeds were invested according to the investment policies and objectives of the Company as stated in the Company's prospectus dated 19 February 2002. The details of investments are further discussed below.

DIVIDEND

An interim dividend of HK\$0.05 per ordinary share amounting to HK\$5,150,000 was declared by the Board of Directors of the Company and paid on 20 September 2002.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2002.

INVESTMENT PORTFOLIO AND INVESTMENT PROSPECT

Unlisted securities

The Company held the following unlisted securities as at 31 December 2002:

Name of investee company	Interest held	Cost as at 31/12/2002 <i>HK\$</i>	Director's valuation <i>HK\$</i>	% of net assets of the Company
Korning Investments Limited	13%	18,573,758	18,573,758	20.76%
Modern Vocal Limited	19%	18,000,000	18,000,000	20.11%
		<u>36,573,758</u>	<u>36,573,758</u>	<u>40.87%</u>

Korning Investments Limited indirectly held 60% of a newly established Pharmaceutical Joint Venture (the "JV") in Beijing, PRC. As a result, the Company has acquired an indirect 7.8% interest of the JV. The Company has actively participated in establishment of the JV and formation of its operating systems and marketing its products. The business licence of the JV was obtained in August 2002. The first phase of capital injection was completed according to the Joint Venture Agreement and the management team has been appointed. Full operation of the JV commenced in the 4th Quarter of 2002.

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The pharmaceutical industry is one of the high potential businesses in PRC. The demands for Chinese herbs, Chinese herbal medicines and healthcare products are expected to have significant growth in the coming years. Continued rising government health expenditures, ageing population and increasing health awareness due to increase in average household income in PRC will support the growth of this industry. The Company will benefit from the success of the JV.

Modern Vocal Limited held 90% interest in a sino-foreign joint venture in PRC to develop, manufacture and distribute the internet telephone units and value-stored calling cards in PRC. The PRC joint venture has been appointed as one of Jitong's (one of the authorised telecommunication operators in PRC) agents to market and promote the sale of value-stored calling cards issued by Jitong.

As the telecommunication market in PRC has turned into much more competitive due to regulatory changes and technological advancement, business progress in the PRC joint venture has been moving slower than originally scheduled. However, the management still has confidence that this industry will give the growth prospects better than most of other industries in PRC.

As at 31 December 2002, no unrealised holding gain/loss on unlisted securities was recorded and no dividend was received from unlisted securities during the year.

Listed securities

The Company held the following listed security as at 31 December 2002:

Name of investee company	Interest held	Cost as at 31/12/2002 <i>HK\$</i>	Market value <i>HK\$</i>	Unrealised holding gain <i>HK\$</i>	% of net assets of the Company
Yanion International Holdings Limited	4.91%	18,887,023	22,199,000	3,311,977	24.81%
		18,887,023	22,199,000	3,311,977	24.81%

With the consideration of prevailing weakness of global economic conditions, plus the various domestic problems facing Hong Kong economy, the Management is cautious in further equity investments in Hong Kong and PRC and will restructure the investment portfolio if necessary.

No dividend was received from listed securities during the year.

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Debt securities

The Company held the following debt securities as at 31 December 2002:

Name of issuer	Principle amount HK\$	Annual interest rate	Market value HK\$	Unrealised holding gain HK\$	Maturity date
Info Quality Development Limited	13,500,000	4%	13,500,000	-	31 December 2004
Maximus Global Strategy Fund	15,601,600	- *	15,914,139	312,539	- *
	29,101,600		29,414,139	312,539	

* no fixed terms

The Company invested indirectly in a Beijing private entity principally engaged in design, advertising and promotion business in PRC. The investment was carried out in the form of a convertible loan amounted to HK\$13.5 million which would entitle the Company to control approximately 30% of this advertising company's equity in the event of an exercise by the Company of its right to convert the loan.

Following China's entry into WTO and increasing demand on consumer products and business promotion in PRC plus the gradual release of various legal restrictions on ownership of advertising entity by the PRC Government, the Management expected tremendous room for expansion in this industry.

The Company also invested in one of the Maximus Global Strategy Fund, which is a short term high yield income fund administered by Commerzbank International Trust (Singapore) Ltd. The aim of this fund is to achieve return above bank deposit rate for short term deposits. Given the existing low money market deposit return, the Company will be benefited more from the short term investment.

LIQUIDITY, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2002, the Company had cash and bank balances of HK\$1,491,126, the management believes that the Company maintained sufficient working capital for its operation. The Company did not have any borrowings during the year and there are no charges on the Company's assets. As at 31 December 2002, the Company had no material capital commitment and contingent liabilities.

FOREIGN CURRENCY FLUCTUATION

The Company believes that the foreign exchange risk is minimal as the Company mainly uses Hong Kong dollars and United States dollars to carry out its business transactions.

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STAFF

As at 31 December 2002, the Company employed four employees. Total staff cost of the Company, excluding directors' remuneration, for the year under review amounted to HK\$689,200. Staff remuneration packages are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not purchase, sell or redeem any of the Company's listed securities following the listing of its shares on 28 February 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, since the date of listing of the Company on 28 February 2002, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

AUDIT COMMITTEE

The audit committee, which comprises of two independent Non-executive Directors of the Company, has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters. The audit committee of the Company has reviewed the audited financial statements for the year ended 31 December 2002.

APPRECIATION

The Company regretfully accepted the resignation of Mr. Andrew Nan Sherrill as Executive Director of the Company on 4 April 2003. The management sincerely thanks Mr. Sherrill for his past contributions to the Company.

On behalf of the Board
Chan Yan Ming, Michael
Managing Director

Hong Kong, 15 April 2003