

BUSINESS REVIEW

Use of proceeds from placement

The Company entered into a new era as a publicly listed company on 28 August 2002. The net proceeds arising from the new issue amounted to approximately HK\$12.5 million. The use of proceeds from the placement generally reflects the expectation as stated in the Company's prospectus dated 16 August 2002.

Since the listing of the Company's shares, the Company had invested in four unlisted companies amounting to approximately HK\$35,423,200. Apart from the above investments, the balance of the proceeds was deposited with banks in the Hong Kong SAR.

Investment management

Pursuant to an Investment Management Agreement entered into between the Company and Hua Yu Investment Management Limited, Hua Yu Investment Management Limited was appointed as the Investment Manager of the Company and will undertake all investment duties in relation to the Company and its assets subject to the investment policies, guidelines and strategies devised by the board of directors of the Company (the "Board") from time to time.

Investment portfolios

For the period under review, the Company has invested in the following companies:

Jinan LuGu (HK) Technology Development Limited ("Jinan LuGu") is principally engaged in research and development as well as the sales of biopharmaceutical products, biomaterials and bio-skincare products. During the period, the Company invested HK\$9,000,000 in Jinan LuGu acquiring an equity interest of 25% in the capital of Jinan LuGu. The Company did not received any dividend from this investment during the period.

Sino Net-Game Limited ("SNG") is principally engaged in the distribution of internet games, delivering game information through various sources such as internet, magazines etc. and operating a chain of large scale cyber café. The Company invested HK\$9,000,000 in SNG during the period acquiring an equity interest of 30% in the capital of SNG. The Company did not received any dividend from SNG during the period.

Prospects

The operating environment in Hong Kong is expected to remain difficult and the disruption caused by the Severe Acute Respiratory Syndrome (SARS) outbreak is expected to be enormous. Looking ahead to 2003, the Company will continue to look for suitable investment projects with satisfactory returns with an optimistic but conservative approach to maximize the return to shareholders.

Liquidity and financial position

As at 31 December 2002, the Company had cash and bank balances of HK\$21,453,448. All the cash and bank balances were placed as short term deposits in Hong Kong dollars with banks in the Hong Kong SAR.

Foreign currency fluctuation

The Company mainly operates its business transactions in Hong Kong dollars and thus is not exposed to foreign currency risk.

DIVIDEND

The Board does not recommend the payment of any dividend for the period under review.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied throughout the period under review with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, save that the independent non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my appreciation and heartfelt thanks to those who have given their utmost support to us during the period.

Luo Xiu Qing
Chairman

Hong Kong, 28 April 2003