

### BUSINESS REVIEW

For the year ended 31 December 2002, turnover of the Group amounted to HK\$43,126,000 (For the period from 1st July 2000 to 31 December 2001: HK\$202,551,000). Net loss of the Group was HK\$83,349,000 (For the period from 1 July 2000 to 31 December 2001: loss of HK\$1,262,000) and loss per share was HK\$0.76 (Loss per share for the period from 1 July 2000 to 31 December 2001: HK\$0.02). Loss was mainly attributed by the allowance of HK\$30,000,000 for doubtful loans receivable, allowance of HK\$25,000,000 for amount receivable in respect of disposal of an investee company, realised loss of HK\$10,900,000 in trading of securities and loss in trading of bags due to adverse economic conditions.

During the year, revenue from a wholly owned subsidiary of the Company which is principally engaged in the trading of bags amounted to HK\$28,286,000, representing approximately 65.6% of the Group's total revenue. Trading of securities amounted to HK\$10,804,000 which represented approximately 25.1% of the Group's total revenue.

Pursuant to an agreement with China Gas Holdings Ltd. ("China Gas") in January 2002, the Company subscribed for 100,000,000 new ordinary shares of China Gas (the "CG shares") in return for the issue of 600,000,000 new ordinary shares of the Company to China Gas. As at 31 December 2002, the carrying value of the investment in China Gas amounted to HK\$111,831,000 and the CG shares representing approximately 8.9% interest in China Gas.

Completion of the acquisition of 1 Lyndhurst Tower, Central took place in July 2002. 1 Lyndhurst Tower is a commercial and office premises with total gross floor area of approximately 87,836 sq. ft. During the financial year, over 60% was leased out and rental revenue amounted to HK\$4,036,000, representing approximately 9.4% of the Group's total revenue.

### FINANCIAL REVIEW

#### Liquidity and Financial Resources

As at 31 December 2002, net assets of the Group amounted to HK\$203,340,000, increased by approximately 206% as compared to 31 December 2001.

The Group has a current ratio of approximately 1.75 compared to that of 1.92 as at 31 December 2001 and the gearing ratio was 25.07% compared to that of 8.76% as at 31 December 2001. The calculation of gearing ratio was based on the total borrowing of HK\$172,979,000 (of which HK\$5,143,000 bears fixed interest and HK\$155,522,000 bears floating interest rate) and the total ordinary share capital of HK\$689,956,000 as at 31 December 2002.

There were no significant capital commitments as at 31 December 2002 which would require a substantial use of the Group's present cash resources or external funding.

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are denominated in Hong Kong dollars.

### **Charge on Assets**

As at 31 December 2002, all the Group's investment properties and the issued shares of China Faith Limited ("China Faith") are pledged and the rental income in respect of the investment properties under operating leases are assigned to a bank against a bank loan of HK\$147,400,000 granted to the Group (as at 31 December 2001: Nil).

Other investments of HK\$101,431,000 (as at 31 December 2001: Nil) are pledged against margin and other loan facilities granted to the Group.

### **Contingent Liabilities**

The Group did not have any material contingent liabilities as at 31 December 2002.

### **Employees**

As at 31 December 2002, the total number of staff of the Group was 10. Remuneration is determined by reference to their qualifications and experiences of the staff concerned and normally reviewed annually. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus scheme and a share option scheme.

### **Liu Ming Hui**

*Managing Director*

25 April 2003