



MANAGEMENT DISCUSSION & ANALYSIS

Review of operations

The Company's principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in property investment and development, information technology and other investment activities.

Property

During the year, the Group's focus was to consolidate business scope by carefully reviewing corporate strategies. Our IT business and property development and investment businesses have continued to contribute well. The Group's property development and investment business, comprising commercial, industrial and residential projects in Malaysia, China and Hong Kong recorded a turnover of HK\$39,110,000, accounting for 15% of total turnover. Sales at our wholly owned commercial and residential project in Malaysia were satisfactory, with over 60% units being sold during the year. Construction of the Group's flagship project in Beijing XiCheng, a prime residential development located at the heart of the capital progressed as planned during the year under review. The recent outbreak of SARS has inevitably affected the construction progress. However, as the outbreak situation gradually improves, the Group is optimistic that sales will commence by the end of the year.

The commercial premises and car parks owned by the Group at Hanzhong Guangchang, Shanghai has recorded satisfactory occupancy rate and has made stable contribution to the Group's recurrent income for the year under review.

At the same time, occupancy at our investment projects, including premier office, industrial and residential premises remained high. In particular, our hypermarket complex at Johor Bahru recorded an average occupancy rate of over 90% during the year, bringing stable and recurrent returns to the Group.

Information technology

The Group's information technology arm Xswim (Holding) Limited ("Xswim") experienced accelerated growth, generating a turnover of HK\$207,693,000 for the Group. The boost in turnover is testimony to the committed efforts of the sales and marketing team in diversifying its customer as well as our product base. In addition to the trading of computer products, which contributed the majority of turnover during the year, Xswim is also engaged in the provision of wireless broadband services in China and boasts a diversified customer base in both Hong Kong and China. The Directors are of the view that this business arm will continue to be of strategic importance to the Group due to its strong cash flow generating abilities, which allow the Group to pursue other corporate objectives.

Other investments

The Group's environmental protection includes the provision of pollution protection solutions, anti-flooding systems monitoring, trading of niche products, waste pollutants detection and pollution monitoring. During the year, adverse market environment hindered performance in the sector. In view of its uncertain business prospect, the Group has made a provision for this business for the year.

During the year, conditions in the local finance sector remained sluggish, which continued to impact on our finance business. In view of this, the Group pursued a strategy of divestment, seeking to enhance its diversity in the industry. In June 2002, the Group decided to divest from the brokerage business in return for interests in a financial intermediary engaged in the provision of a range of financial services.

Notwithstanding the retreat in our operating results, the Group's business infrastructure remained sound. Our balance sheet also remains healthy. In addition, the Group continued to boast a pool of talent with vast experience in their respective business fields. These assets form the crucial foundations in improving the Group's performance in the future.

Subsequent to the year under review, the Group announced the acquisition of 100% in Pioneer Gains International Limited ("Pioneer Gains") in February 2003 for a consideration of HK\$34,000,000. The acquisition will be satisfied by way of issue of 209,876,543 shares at HK\$0.162 per share and is not yet completed.



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In February 2003, we disposed of our approximately 65% interests in Pioneer Heritage Sdn. Bhd (“Pioneer”), which is engaged in the development of a commercial property project in Malaysia, at a consideration of RM41,000,000. On the same date, United Merit Sdn Bhd, the purchaser of Pioneer, agreed to subscribe for 31,000,000 shares of the Company at HK\$0.162 per share. The proposed disposal and subscription have not yet been completed. In May 2003, we disposed of our 13.68% interests in Grandy Applied Environmental Technology Corporation for a consideration of HK\$3,629,399.85.

Financial Review

Despite the provision made during the year, the financial position of the Group remain healthy. As at 31 December 2002, the total shareholders’ fund of the Group amounted to HK\$538,726,000, compared to HK\$538,501,000 as at 31 December 2001. The debt ratio (based on the sum of current debt and long-term debt over the equity) and current ratio of the Group as at 31 December 2002 were 0.31 and 0.76 respectively while the ratio as at 31 December 2001 were 0.28 and 2.06 respectively.

Total bank and other borrowings amounted to HK\$169,105,000 and were mainly secured by legal charge on the Group’s land & buildings, investment properties, time deposits and other forms of charge.

The Group’s income and expenditure were mainly dominated in HKD, RMB, SGD and MYR. The Group’s business operation and investment of the Group are transacted in Hong Kong, the PRC, Singapore and Malaysia and its revenue and expenditure in HKD, RMB, SGD and MYR.

Our development for the year also included the introduction of Beijing Enterprises Holdings Limited as a strategic shareholder through the placing of 100,000,000 existing ordinary shares at HK\$0.32 each to its wholly owned subsidiary, New Profit Investment Limited. In February 2002, Kong Fa Holding Limited (“Kong Fa”), holds a controlling stake in the Group subscribed for 300,000,000 shares at a price of HK\$0.32 per share. The net proceeds was about HK\$95,500,000.



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In October 2002, the Group announced the placement of 81,900,000 ordinary shares at the price of HK\$0.21 per share to certain independent parties through the placing agent, and the subscription of 81,900,000 ordinary shares at the price of HK\$0.21 per share by Kong Fa so as to broaden shareholders' base and to provide cash flow to strengthen the financial position of the Company. The price of HK\$0.21 per share represents a discount of approximately 13.8% to the closing price of HK\$0.23 per share as quoted on the Stock Exchange on 21 October 2002, being the last trading date before fixing the terms of the placing and subscription. Net proceeds of the subscription was approximately HK\$16,600,000, which was used as to HK\$5,000,000 for debt repayment, as to HK\$5,000,000 for the working capital of operation in China and as to the remaining balance of approximately HK\$6,600,000 for the working capital of the operation in Hong Kong.

Prospects

As a leading conglomerate maintaining a diversified investment portfolio across Malaysia, the PRC and Hong Kong, the Group's focus for the year will be to leverage the existing asset base to re-establish steady investment income and more importantly, to improve shareholder returns. The continuing robust performance of the PRC's economy, together with gradually improving conditions in Malaysia are expected to set the Group well on track to succeed in its core business of property development.

Our flagship project in Beijing XiCheng is currently drawing to a close with the opening of sales scheduled for the end of the year. With the advent of 2008 Olympic Games, the property market in Beijing is expected to rally. It is also expected to be boost yet further the benefits of the PRC's entry to WTO become more apparent. Lying in close proximity to Beijing Finance Street, a new hub for the capital's financial activities, the Group is confident that the XiCheng project will receive pleasing responses and bring promising returns to the Group. The gradually improving Malaysian economy is also expected to facilitate sales of our remaining units at Johor Bahru. We also expect our long term investment projects to continue to contribute steady rental returns to the Group in the years to come.

Our IT business is expected to perform steadily and continue to generate important income for the Group.

Meanwhile, the Group is determined to restore performance through active portfolio management, taking advantage of investment and divestment opportunities as and when they arise. With our committed management team, we look forward to delivering improved results in the years ahead.