

## Chairman's Statement

On behalf of the Board of Directors, I present to the shareholders the annual report for Wisdom Venture Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March 2003.

### GROUP RESULTS

For the year ended 31st March 2003, the Group's turnover and profits from operations dropped from HK\$804.9 million and HK\$104.3 million in last year to HK\$314.0 million and HK\$16.8 million respectively. Owing to a substantial loss on disposal and partial disposal of interests in subsidiaries of HK\$18.4 million this year, the financial year was ended with a loss attributable to shareholders of HK\$4.4 million (2002: profit of HK\$97.9 million). The loss per share for the year was 0.48 Hong Kong cents when compared with an earnings per share of 11.87 Hong Kong cents in last year.

### DISTRIBUTIONS

A special interim dividend of HK\$0.235 per share of the Company amounting to HK\$193,875,000 was paid to the shareholders on 21st June 2002. Other than the foregoing, the directors do not recommend the payment of any final dividend for the year ended 31st March 2003.

### BUSINESS REVIEW

During the year, the Company underwent a series of steps to restructure the Group's existing businesses. Considering audio cassette business is a mature industry with limited prospects and having an opportunity to partly realize the underlying value of the paper packaging business, the Company disposed its entire interests in audio cassette business and 49% equity interest of paper packaging business in June 2002. Further details of these transactions are set out in the circular of the Company dated 21st May 2002. These transactions were approved by the independent shareholders of the Company in an extraordinary general meeting held on 14th June 2002.

After the said disposals, while continuing to engage in the manufacture and sales of paper packaging products, during the year under review, the Group commenced its business in trading of petroleum products. Detailed analysis of each of the Group's business segments are stated below.

#### Paper Packaging Business

The contribution from the paper packaging business was continuously under severe pressure, though it recorded a turnover of about HK\$239.5 million which representing an increase of 32.8% as compared with previous financial year. The operating profit recorded a decrease of 21.7% to HK\$17.9 million.

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The increase in turnover was due to the increase in sales volume. In order to achieve such an increase in sales volume and market share, the selling price of the corrugated packaging products to the customers was decreased. Therefore, the intense competition within the paper packaging industry brought severe pressure on the gross profit margin and resulted in a decrease in the operating profit.

Given the fierce competition of the paper packaging business and the current stagnant market condition, it is expected that the profit contribution of this segment will continue to consolidate in the coming year.

In addition, to be in the interests of the Company to realize the underlying value of this business, the Group disposed 49% of paper packaging business for a consideration of HK\$93.1 million on 14th June 2002.

### **Petroleum Products Business**

In January 2003, the Group commenced trading of petroleum products in the PRC through the Group's wholly-owned subsidiary, Oriental Point International Limited. The Group is partnering one of the leading global commodities trading group in this venture. Given the short history of the Group in this new segment, the Group succeeded in achieving a turnover of HK\$62.4 million while recording an operating loss of HK\$2.7 million for the year ended 31st March 2003.

### **Audio Cassette Business**

On 14th June 2002, the Group disposed of 100% of its audio cassette business for a consideration of HK\$50 million. During the period from 1st April 2002 to the date of disposal, it recorded a turnover of HK\$12.1 million and contribution to operating profit of about HK\$2.9 million.

### **FUTURE PROSPECTS**

The Company intends to continue to pursuing a business diversification policy for the benefits of its shareholders. While continuing to engage in the paper packaging business, the Group plans to employ more resources in the petroleum products business, which was an attempt of the Group to diversify into other industries this year. Meanwhile, the Group will continue to explore further business opportunities to diversify into other industries with good business potential and growth prospects including the provision of storage facilities and transportation services of petroleum products and petrochemicals in the PRC as well as investments in Hong Kong and PRC property markets. Building on the experience of the directors, the Group is in a well position to capture these opportunities when they arise from time to time.

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### **APPRECIATION**

On behalf of the Board of Directors, I would like to thank all of our customers, suppliers, and all the Group's staff for their support, loyalty, dedication, and contribution over the last year.

On behalf of the Board

**David An**

*Chairman*

Hong Kong, 11th July 2003