



## CHAIRMAN'S STATEMENT

### BUSINESS REVIEW

The Group's turnover for the year was approximately HK\$41,276,000, representing a decrease of 8% over the same period of last year. Turnover was mainly derived from the sale of properties and trading of motorcycles and spare parts. During the year, the Group recorded a loss of approximately HK\$51,556,000, an improvement of 13% compared with last year's result. The loss for the year is mainly due to deficit arising on revaluation of investment properties of HK\$1,500,000 and the impairment loss arising on the properties under development of approximately HK\$25,421,000 and unrealised holding loss on other investments of approximately HK\$19,583,000.

#### Property Development

The Group owns 60% interest in a property development project in Sheung Wan, namely Talon Tower. The superstructure construction for the project was completed and the sales activity has begun since November 2002. As at 31st March, 2003, approximately HK\$21,825,000 of sales was achieved. The proceeds from the sale have been used to repay its bank loan so that the Group's gearing position can be improved. However, in view of the sluggish property market in Hong Kong, the Group had provided an impairment loss of approximately HK\$25,421,000 in respect of the Talon Tower during the year.

#### Trading of Motorcycles

The Group continues to be the distributor of Suzuki motorcycles in Hong Kong and Macau. The turnover for the year was approximately HK\$11,562,000 which has increased by 16% as compared with last year. The business incurred a loss of approximately HK\$225,000 during the year.

#### Electrical and Mechanical Engineering and Distribution

Due to the unsatisfactory performance in electrical and mechanical engineering and distribution, the Group disposed of the business to an independent third party in August 2002 at a loss of approximately HK\$713,000.

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### FINANCIAL REVIEW

The net asset value of the Group as at 31st March, 2003 was HK\$157,612,000, which was a decrease of 8% over last year end date. It was mainly attributed by the impairment loss arising on the properties under development of approximately HK\$25,421,000, deficit on revaluation of investment properties of HK\$1,500,000 and unrealised holding loss on other investments of approximately HK\$19,583,000 respectively. The Group maintained a high cash balance of approximately HK\$120,112,000. On the other hand, the secured bank and other borrowings of the Group, which were denominated in Hong Kong dollars and were bearing interest with reference to prime rate, had increased slightly from HK\$174,996,000 to approximately HK\$178,453,000 as at 31st March, 2003. Secured loans for Talon Tower of approximately HK\$168,688,000 was matured in December 2002, and the lending bank had conditionally agreed to extend the repayment date. In view of the relative low interest rate, the Group made no hedge for those floating prime rate based borrowings. The gearing ratio (the ratio of total liabilities over total assets) was 55% (2002: 53%).

Most of the assets and liabilities of the Group are denominated in Hong Kong dollars, the Board considered the Group is not subject to any material exchange rate exposure.

On 28th May, 2002, the Group entered into a conditional placing agreement with a placing agent, whereby the placing agent agreed to place, on a fully underwritten basis, 390,000,000 new shares at the placing price of HK\$0.10 per placing share. The net proceeds from the placing was approximately HK\$38,000,000, out of which HK\$20,000,000 would be used to finance the development of the Group's property in Hong Kong and the balance of approximately HK\$18,000,000 would be used as general working capital. The placing was completed on 12th June, 2002.

On 6th March, 2003, the Group proposed a capital reorganisation (the "Capital Reorganisation") involving capital reduction, share sub-division, share consolidation and share premium cancellation. Details were set out in the circular sent to the shareholders on 21st March, 2003. The Capital Reorganisation was approved in a shareholders' meeting and became effective on 15th April, 2003.

### REWARDS FOR EMPLOYEES

As at 31st March, 2003, the Group employed 11 persons in Hong Kong. The total personnel expenses amounted to approximately HK\$6,347,000 (2002: HK\$15,697,000). Employees are remunerated according to qualifications and experience, job nature and performance, as well as market conditions. The Group also provides other benefits such as medical and dental insurance cover and retirement benefits schemes to the employees. There was no share option granted to any director and employee during the year.



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### PROSPECTS

The Group continues to suffer loss from property development business as a result of persistent downturn in the overall business environment and high unemployment rate, coupled with the outbreak of atypical pneumonia since February 2003. In view of the adverse situation, the directors will take a prudent approach in directing the business. Stringent cost saving measures are implemented during the year and thereby reducing the expenditure of the Group to a lower level. Continuous efforts have been made to seek business opportunities that will yield positive returns.

By Order of the Board

**Tse Cho Tseung**

*Chairman*

Hong Kong, 11th July, 2003