

**CHAIRMAN'S STATEMENT****FINANCIAL REVIEW**

The Group's turnover for the year ended 31st March, 2003 amounted to approximately HK\$261 million (2002: 80 million), representing an increase of 226% as compared with last year. Loss attributable to the shareholders amounted to approximately HK\$220 million (2002: HK\$151 million), representing an increase of 46% as compared with last year. Loss per share was HK\$6.88 cents. Included in the reported losses of approximately HK\$58.7 million was an impairment loss of investment in securities recognized; of approximately HK\$45.5 million were net unrealized holding losses on other investments; of approximately HK\$25.8 million in respect of impairment of goodwill for the previously acquired subsidiary and another HK\$6.9 million for revaluation deficit of investment properties.

For the year ended 31st March, 2003, depreciation charged for the year amounted to approximately HK\$2,829,000 (2002: HK\$5,199,000).

As at 31st March, 2003, the total assets and net assets of the Group were HK\$799.2 million (2002: HK\$415.6 million) and HK\$321.2 million (2002: HK\$223.8 million) respectively, representing an increase of 92.3% and 43.5% respectively as compared with last year.

Since the Group mainly developed its business in the PRC and Hong Kong, during the year, there were no significant fluctuations in the exchange rate of Renminbi against Hong Kong dollar. Accordingly, the Group did not have material risk in foreign exchange fluctuations, and there was no corresponding hedging provision. The Group had neither used any financial instrument for hedging purposes, nor used any instrument for hedging against foreign currency investment.

**BUSINESS REVIEW**

The Group is principally engaged in securities trading and investments, property investments, development and property related services, trading of building materials, provision of renovation services and operation of toll highway. The business environment in Hong Kong and the PRC was affected by the uncertain global economic conditions and remained difficult and highly competitive. The Group's operating results reflect this difficult business climate.

*Property division*

In July, 2002 the Group had completed the acquisition of 51% interests in Shanghai Hualong Constructions Stock Co. Limited which is one of the leading property developers in Shanghai. Upon the close of the financial year under review, the Group recorded an approximately amount of HK\$10.7 million turnover from the property developments in Shanghai.

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The business of trading of building materials and provision of renovation services went bizarre during the year under review because of unfavorable factors holding hostage of the local building construction industry, causing further unruly damage. As a result of the structural change in government housing policy, public housing projects were ignorantly scaled down. Whilst in private housing sector, the amount of new works also plunged due to sluggish homebuyer sentiments. These resulted in substantially less new business opportunities available to the building construction industry and the Group henceforth recorded a turnover of approximately HK\$35.5 million and a loss of approximately HK\$1.4 million from such sector.

### *Toll Highway*

In December 2002 the Group had completed the acquisition of 51% interests in Gold United International Industries Limited ("Gold United") which holds 80% equity interests in 杭州恆運交通開發有限公司. The performance of the toll highway over the 3 months of operations has been encouraging though the scale of business is relatively small. Revenues recorded amounted to approximately HK\$5.8 million (2002: Nil) with slight profit of about HK\$0.6 million.

### *Others*

The year under review also saw the Group branch out for strategic investments that include Info Tech Group and Ariel Vision Limited. While these new business are still in their initial stage of development and recorded a loss for the Year, the Group believes that they have good growth potential. The Group will continue to strengthen its core business, speed up the growth of the new businesses, and further seek for other good quality investment opportunities.

### *Material acquisition*

In October 2002, the Company's subsidiary entered into a conditional agreement for the acquisition of 51% interests in Gold United at a consideration of HK\$90 million.

Gold United is an investment holding company incorporated in Hong Kong and owns 80% equity interests in 杭州恆運交通開發有限公司 which is a Sino-foreign equity joint venture engaged in the business of operation of a toll highway in Fuyang, Zhejiang Province, the PRC.

Further details of Gold United Acquisition are set out in the Company's announcement and circular dated 10th October, 2002 and 28th October, 2002 respectively.

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### Future Outlook

The management is optimistic about the economic growth in the PRC. The economy of China continued to grow which presents a market with tremendous business opportunities. The Group will continue to focus its core operations in the PRC with a view to capture the investment opportunities as they arise.

The economy of Hong Kong was dampened by the Iraq War and the devastating outbreak of Severe Acute Respiratory Syndrome. The Government's revised housing policy would inexorably deteriorate the local construction market conditions. The Group will focus more in the PRC and will build on its existing assets base with stringent cost control measures so as to maintain a sound financial management and pursue its long-term strategy under a prudent investment and development policy to explore high potential investments and attractive business opportunities. The Group will remain confident to meet future challenges by taking advantage of the new opportunities lying ahead with its strong financial foundation and diversified investment portfolio.

### Liquidity and Financial Resources

The bank balances and cash at 31st March, 2003 stood at HK\$87.9 million (2002: HK\$47.7 million). The current ratio (current assets/current liabilities) of the Group at 31st March, 2003 was 1.05 (2002: 1.02).

At 31st March, 2003, total borrowings of the Group amounted to HK\$298.8 million (2002: HK\$180.0 million), of which HK\$27.1 million (2002: Nil) were not repayable within one year. The gearing ratio (borrowings/shareholders' fund) at 31st March, 2003 was increased to 93.0% (2002: 80.4%)

The Group's net current assets is approximately HK\$15.7 million (2002: HK\$4 million) which includes cash and cash equivalents of approximately HK\$87.9 million, short term investments of HK\$97 million, which had been valued at fair value basis.

The Group generally finances its operations from internally generated cashflow and banking facilities. In addition, the Company raised approximately HK\$260 million before expenses through placements and subscription, which was conducted through April to October 2002. The proceeds of the placements and subscription had been utilized for working capital and for acquisitions related to Group's business.

As at 31st March, 2003, certain of the Group's assets with an aggregate value of approximately HK\$133 million had been pledged to secure credit and margin facilities granted by banks and brokers.

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### CAPITAL STRUCTURE

On 24th April, 2002, the Company passed a resolution at a Special General Meeting to subdivide every issued and unissued existing share of HK\$0.05 each in the capital of the Company into five shares of HK\$0.01 each. Please refer to the circular of the Company dated 8th April, 2002.

During the year, the Company issued an aggregate of 1,281,810,000 new shares after adjustment for share subdivision by way of placements and subscription and the issue of 240,000,000 new shares of HK\$0.01 at a market price of HK\$0.229 per share on 27th December, 2002 as part of consideration for the acquisition of 51% interest in Gold United. The net proceeds from the placements and subscription of shares during the year amounted to approximately HK\$260 million.

On 8th May, 2002, the Company entered into a warrant placing agreement with a placing agent in relation to the private placing of warrants of the Company ("Warrants"), at an issue price of HK\$0.05 per unit of subscription rights attached to the Warrants. Each of the Warrants conferred rights to the registered holders to subscribe for one new ordinary shares of HK\$0.05 each in the Company at an initial subscription price of HK\$0.36 per share, subject to further adjustment, exercisable at any time up to 8th July, 2003. The Warrants are in registered form giving the registered holders the right to subscribe up to HK\$118,764,800 in aggregate for shares equivalent to the aggregate subscription price for a total of 539,840,000 shares on the basis of an adjusted subscription price of HK\$0.22 per share. No Warrants were exercised during the year and all the Warrants expired on 8th July, 2003. The net proceeds from the placing of Warrants amounted to approximately HK\$26.7 million and was used for general working capital.

### EMPLOYMENT AND REMUNERATION POLICIES

For the year ended 31st March, 2003, the Group had a total staff of 140 and total staff costs including director's remuneration amounted to approximately HK\$12,832,000 (2002: HK\$43,503,000). This includes 103 staff based in the PRC.

Remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed and bonuses paid on annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme and medical and health insurance. Share options are granted to certain staff and directors of the Group.

A new share option scheme has been adopted on 24th April, 2002 in compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to replace the old scheme which was adopted on 9th April, 2001. Details of share option schemes will be disclosed in the Company's annual report for the year ended 31st March, 2003.

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### APPRECIATION

On behalf of the Board of Directors, I would like to extend my sincere gratitude to our shareholders, customers, suppliers, bankers and professional advisors for their continued support. May I also thank my fellow director and our staff for their dedication and contribution.

**Dong Bo, Frederic**  
*Chairman*

Hong Kong, 29th July, 2003