

MANAGEMENT'S REPORT

FINAL RESULTS

For the year ended 31st March, 2003, the Group recorded a turnover of HK\$51,493,000 (2002: HK\$240,683,000) and a loss of HK\$43,684,000 (2002: HK\$47,675,000). Loss per share was HK1.4 cents (2002: HK2.2 cents). Turnover for the year decreased as sales revenue of the loss-making pharmaceutical, health products and foodstuffs ("PHF") operations disposed of in November 2001 constituted a significant portion of the Group's previous year turnover, whereas loss for the year, reduced by 8% compared to last year, represented mainly the overall loss recorded for the Group's investment activities.

The directors of the Company (the "Directors") do not recommend the payment of a final dividend for the year.

OPERATIONS REVIEW

For the year under review, the Group continued to engage in four major business segments, namely, provision of finance, trading of securities, property holding and investment, and investment activities. The Company's 66.7% owned subsidiary engaged in the manufacturing of global positioning security system and devices in the People's Republic of China (the "PRC") is on schedule to set up its production facilities, full-scale operations is expected to commence next year.

During the year, the Group made a new investment through acquiring a 22.5% interest in a pharmaceutical company, Xi'an Yizhiliu Pharmaceutical Co., Ltd. ("Yizhiliu"), for a consideration of HK\$40,000,000. Yizhiliu is operating in Xian, the PRC and currently has over 10 medical products being marketed and distributed across over 30 provinces, autonomous regions and cities in the PRC. The production plant of Yizhiliu meets the Good Manufacturing Practice (GMP) standard. Its products can be broadly categorized for medical treatment of cardiac, cerebral, blood vessels and digestive systems as well as nutrition supplement products. Yizhiliu was established in 1991 and has continued to be profitable for the past years.

Compared to last year, the Group's turnover, cost of sales and administrative expenses all decreased considerably and no distribution costs were recorded. These were mainly attributed to the disposal of the loss-making PHF operations as mentioned, which also partly accounted for the reduction of the Group's operational loss by 40% to HK\$43,086,000 (2002: HK\$72,186,000).

Provision of Finance

The Group's money lending business continued to report encouraging results. Turnover and profit of this business segment rose to HK\$15,528,000 (2002: HK\$6,533,000) and HK\$14,415,000 (2002: HK\$5,869,000) respectively and showing significant increases of 138% and 146% over last year. In light of the impressive performance of this operation throughout the year, additional financial resources had been allocated to this segment and resulted in an expanded loan portfolio compared to last year. The Directors will continue to closely monitor the performance of this operation so as to maintain its profit contribution to the Group's future results.

Trading of Securities

The Group had not been active in its securities business throughout the year mainly due to uncertainties clouding the Hong Kong economy and investment market. Turnover from sales of securities decreased to HK\$2,959,000 (2002: HK\$66,259,000) and a small loss of HK\$177,000 (2002: HK\$9,504,000) was incurred by the operation.

Property Holding and Investment

The Group's property segment reported a profit of HK\$1,704,000 in contrast to last year's loss of HK\$11,105,000. The improved results were primarily attributable to the absence of provision and valuation deficits totalled HK\$11,680,000 recorded last year and increase in rental income received this year.

During the year, the Group entered into an agreement to dispose of its office and apartment units in Shun Hing Square, Shenzhen, the PRC which were held for resale purpose for a consideration of HK\$30,000,000, equivalent to the aggregate carrying value of the properties. The Directors were of the view that the disposal was in the best interests of the Group, given that the properties were considered to have limited prospect of value growth, and that the disposal would enable the Group to redeploy financial resources to other profitable business opportunities. A deposit of HK\$2,000,000 was received during the year, the remaining consideration of HK\$28,000,000 was recorded as other receivable at the balance sheet date and was subsequently settled.

In May 2003, the Group entered into another agreement to dispose of a subsidiary which owns the rights to acquire part of the shopping mall of Metropolitan Plaza in Shenzhen for a cash consideration of HK\$500,000 and the benefits under a profit sharing arrangement. Details of which are set out in the Company's announcement dated 13th May, 2003.

Investment Activities

Income from investment activities decreased to HK\$87,000 (2002: HK\$5,117,000) mainly because all convertible note investments held by the Group were redeemed during the year. Overall loss of the Group's investment activities amounted to HK\$47,753,000 (2002: HK\$34,272,000), and was primarily attributed to the impairment provision made against an investment in a software company. The company focuses on designing property management system for large scale residential project and has been active in developing the PRC property market. However, the company has encountered certain difficulties, including intense competition in terms of price and quality for products delivered, in achieving its business goals. In light of uncertain business prospects and weak financial position of the software company, the Directors resolved that an impairment provision of HK\$45,000,000 be made against this investment.

MANAGEMENT'S REPORT

Employees and Remuneration Policy

As at 31st March, 2003, the Group employed a working team of about 20 staff members (including directors). Staff costs incurred during the year, including directors' emoluments, amounted to HK\$7,920,000 (2002: HK\$44,330,000). The decrease in staff costs was mainly due to the substantial reduction in headcount following the disposal of the PHF operations in November 2001.

The remuneration policy of the Group is to reward its employees based on their qualifications, experience, work performance and prevailing market conditions. Remunerations of employees are generally reviewed on an annual basis. Remuneration packages, include granting of share options, are structured to motivate individual performance and contribution to the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

Throughout the year, the Group's liquidity position continued to be strong. As at 31st March, 2003, net current assets of the Group amounted to HK\$404,165,000 (2002: HK\$438,202,000) with bank balances and cash totalled HK\$96,391,000, representing an increase of 127% (2002: HK\$42,404,000) over last year. The increase was mainly due to redemptions of convertible note investments held by the Group and refund of certain deposits paid last year for investment projects. Surplus cash of the Group, when considered appropriate, was placed at banks as time deposits for earning interests.

The Group was also in net cash position as at 31st March, 2003 with bank balances and cash net of bank borrowings equal to HK\$95,912,000. Bank borrowings of the Group, comprised of unsecured bank overdrafts of HK\$479,000, were denominated in Hong Kong dollars and bore commercial floating interest rates. Unutilized banking facilities available to the Group was about HK\$4,500,000 in total at year end.

In light of the amount of liquid assets on hand as well as banking facilities available, the Directors considered that the Group has sufficient financial resources to meet its ongoing operational requirements.

Pledge of Assets

As at 31st March, 2003, listed securities with aggregate carrying value of HK\$2,519,000 were pledged to secure a margin facility granted by a securities company under ordinary securities trading arrangement. Commercial interest was charged for the margin loan.

Capital Commitment

As at 31st March, 2003, the Group had an outstanding commitment of HK\$170,913,000 representing the total consideration payable under an acquisition agreement for part of the shopping mall of Metropolitan Plaza situated in Shenzhen, the PRC. As mentioned above, the Group entered into an agreement in May 2003 to dispose of a subsidiary which owns the rights to acquire such property for a cash consideration of HK\$500,000 and the benefits under a profit sharing arrangement. Following the disposal of the subsidiary, the Group ceased to have any obligations under the said acquisition agreement.

Foreign Currency Management

The assets and liabilities and business transactions of the Group are mainly carried at and conducted in Hong Kong dollars and Renminbi. As the exchange rate of Hong Kong dollars to Renminbi has been stable, the Directors are of the view that the Group's exposure to exchange rate risk is not significant.

Shareholders' Funds

Shareholders' funds of the Group amounted to HK\$460,432,000 as at 31st March, 2003 (2002: HK\$504,116,000), equivalent to a net asset value of approximately HK14.8 cents (2002: HK16.2 cents) per share of the Company. The decrease of shareholder's funds was attributable to the loss incurred by the Group for the year.

BUSINESS PROSPECTS

During the year under review, the management has step up its efforts in restructuring the Group's investment portfolio with the view to enhance the overall performance of the Group. The primary goals of the management is to promote profitability and growth of all existing business segments, and to enter into new ventures with good potential that are expected to add substantial value to the Group. Looking ahead, the Group will continue to pursue, though prudently, attractive investment opportunities in the Mainland and Hong Kong, particularly those that are well poised to take advantage of the continuing strong growth of the China's economy and those that will be benefited by the introduction of the Closer Economic Partnership Arrangement (CEPA).

APPRECIATION

The year under review was another challenging year for the Group. On behalf of the Board of Directors, I would like to thank all management and staff for their hard work and dedicated efforts throughout the year and look forward to their support in the years ahead.

On behalf of the Board

Kwong Wai Tim, William
Managing Director

Hong Kong, 23rd July, 2003