



CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

To Shareholders,

On behalf of the Board of Directors, I hereby present the annual report of the Group for the year ended 31 March 2003.

FINANCIAL RESULTS

The Group's audited consolidated loss after tax for the year ended 31 March 2003 was HK\$29,287,000 compared with last year's attributable loss of HK\$238,073,000. The net assets value of the Group increased from HK\$26,876,000 as at 31 March 2002 to HK\$115,982,000 as at 31 March 2003 after the rights issue of shares during the year.

Turnover for the year amounted to HK\$1,350,000 whilst last year's figure was HK\$5,035,000. Details of the breakdown of the turnover can be seen on note 5 to the financial statements. On the expenses side, the level of total operating expenses decreased materially in this year as a result of the Group's continual effort to streamline its operation. Finance costs also decreased from last year's figure of HK\$28,539,000 to HK\$23,538,000 this year.

In this financial year, the Group had incurred unrealised holding loss of HK\$6,792,000 on the investments in securities held at 31 March 2003.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the financial year.

ISSUE OF BONUS WARRANTS

As announced by the Company, the Directors proposed on 29 July 2003 that subject to the fulfillment of certain conditions precedent, the Company will issue bonus warrants to the shareholders on the basis of one bonus warrant for five existing shares held. Further details are set out in note 30(iii) to the financial statements.

CHANGE OF COMPANY NAME

Pursuant to a resolution passed by the shareholders of the Company on 6 September 2002, the name of the Company has been changed to "Heritage International Holdings Limited" (「漢基控股有限公司」) from "B-Tech (Holdings) Limited" (「大雄科技集團有限公司」).

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

In this financial year, the Group successfully raised HK\$100 million, net of expenses, from the rights issue of the Company. With a greatly improved capital base, the Group has been able to take advantage of new investment opportunities. Property related investments and investment in securities remain the Group's core businesses. During the year, the Group has also participated in money-lending business so as to utilise the cash resources in a more efficient way.

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2. SUMMARY OF THE GROUP'S MAIN BUSINESSES AND INVESTMENTS

Property investment and development

During the year, the Group had acquired certain office units in Oriental Building at Jianshe Road, Shenzhen, the Mainland China and also units in Wyfold Industrial City in Buji, Shenzhen, the Mainland China respectively. Subsequent to the year end date, the Group has completed the acquisition of certain office units in Causeway Bay, Hong Kong. On the other hand, the investment in the office units in Oriental Building was disposed of in June 2003.

In the year, the Group held a 30% interest in the property development project of Guangzhou Le Palais situated in Guangzhou city of the Mainland China. This luxury residential property complex consists of 844 apartment units and 300 car parking spaces. The sale campaign of the apartment units has commenced already in late 2001. As disclosed in notes 1 and 16(b) to the financial statements, Polywise Investments Limited ("Polywise"), the Group's subsidiary through which the Group held the respective investment in Guangzhou Le Palais, is now having litigations with a financial creditor and two associates of Polywise. After the year end date, the Group had disposed of our entire interest in Polywise to an independent third party in July 2003 at a consideration of HK\$1 million.

Investment in securities

During the year, the Group had increased its investment in certain listed securities in Hong Kong. The portfolio of our securities investment is well diversified and consists of companies with good fundamentals and growth potential. As at 31 March 2003, the market value of the listed securities held was around HK\$64,100,000 and the amount of debt securities was HK\$15,920,000.

Money-lending businesses

Due to the increase in the level of our surplus funds and the increased efficiency of our cash flow planning, the Group had been able to utilise the cash resources more profitably during the year via the money-lending businesses. The Group's money-lending businesses have provided a reasonably sound return on our funds employed thereon.

3. PROSPECTS

The economy in Hong Kong has been suffering during the past year and further worsened by the occurrence of SARS during the past few months. The management has taken a very cautious approach in taking on new investments. With the completion of a rights issue in June 2002, the Group's capital base has increased substantially and is now well positioned to take on new opportunities. Recently, part of the Group's attention has also been paid to possible investments in Macau and a placement of shares for HK\$30.5 million was done to fund such investments. After the placement, Dr. Stanley Ho has become one of the Company's substantial shareholders holding 5.01% of the Company's issued share capital currently. Though no specific project has been identified at the present stage, with the growing economy in Macau, the Group is optimistic that it would be able to identify certain attractive investments in due course.

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4. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2003, the Group's total assets and borrowings were HK\$538,139,000 and HK\$408,878,000, respectively. The borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and were made in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) was 76%.

As disclosed above and in note 16(b) to the financial statements, Polywise, a subsidiary of the Group is in the course of litigation with a financial creditor over certain secured other loans (the "Loan Payables") stated as HK\$374 million at 31 March 2003 on the balance sheet. Funds for the repayment of the Loan Payables will mainly be met by the loan and other receivables from an associate stated as HK\$352 million totally on the balance sheet. There were (i) a first legal charge over the shares in an associate together with the assignment and transfer of all dividends or any distribution therefrom and (ii) a first legal charge over Polywise's undertaking, property and assets and rights so as to secure the Loan Payables. The Group is of the view that the repayment of the Loan Payables should have no material adverse impact on the operation of our businesses. After the year end date, the Group had disposed of our entire interest in Polywise to an independent third party in July 2003 at a consideration of HK\$1 million. The financial position of the Group has been much improved and the level of gearing has been reduced materially after the disposal of Polywise. A condensed pro forma adjusted consolidated net assets of the Group as at 31 March 2003 with the inclusion of the disposal of Polywise is presented in note 1 to the financial statements so as to allow the user of these financial statements to appreciate the impact of such disposal on the Group's financial structure.

In June 2002, the Company had carried out rights issue of 1,223,724,110 rights shares. Net proceeds of HK\$100 million were received from the rights issue. During the year, approximately HK\$61 million of such proceeds had been applied in investments in securities, HK\$28 million had been applied in acquisition of investment properties and the remaining funds were for general working capital and future investment purposes.

Subsequent to the balance sheet date, the Company had carried out a placement of shares in July 2003. 311,330,000 new ordinary shares of HK\$0.01 each were allotted and issued for cash to independent third parties at a price of HK\$0.10 per share in July 2003. The HK\$30.5 million so raised will mainly be used to finance the Group's possible future investment in Macau.

Details of the Group's material commitment as at 31 March 2003 are set out in note 27 to the financial statements.

5. CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 March 2003 are set out in the note 28 to the financial statements.



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6. EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a base for the review of the remuneration package. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all its employees.

Finally, I would like to take this opportunity to thank all of my fellow directors and members of staff for their dedicated services, support and contribution during the year. Looking forward to their continue support and excellent services in the coming years.

Kwong Kai Sing, Benny

Chairman

Hong Kong

29 July 2003