

FINANCIAL REVIEW

The Group's turnover for the year ended 30 June 2003 amounted to HK\$3,993,000 (2002: HK\$19,937,000), representing a decrease of HK\$15,944,000 as compared with last year. Loss attributable to shareholders amounted to HK\$24,129,000 (2002: profit of HK\$125,032,000). The profit for last year was mainly due to a gain of HK\$138,897,000 arising from the partial waiver by creditors' of the Group's indebtedness after the completion of restructuring in December 2001.

As at 30 June 2003, total assets and net assets of the Group were HK\$295,429,000 (2002: HK\$163,097,000) and HK\$265,314,000 (2002: HK\$162,221,000) respectively, representing an increase of 81.1% and 63.6% respectively as compared with last year.

As at 30 June 2003, cash and deposits in banks and other financial institutions totalled approximately HK\$20,747,000 (2002: HK\$6,677,000). The Group's net current liabilities were HK\$4,992,000 (2002: net current assets of HK\$160,805,000), which was mainly attributable to more resources being put into the Group's long-term investment projects which were in the stage of investment. The Group's outstanding bank and other borrowings amounted to HK\$15,617,000 (2002: nil), all repayable within one year. The current ratio (current assets/current liabilities) was 0.8. The gearing ratio (total borrowings/total assets) was 5.3% .

As the Group's business are mainly in the PRC and Hong Kong, and there was no significant fluctuation in the exchange rate of Renminbi against Hong Kong dollar, the Group did not have material risk in foreign exchange fluctuation and there was no corresponding provision for hedging. The Group had neither used any financial instruments for hedging against foreign currency investments.

BUSINESS REVIEW

Trade Related Operations

The wholly-owned subsidiary set up by the Group in Shanghai, 國欽國際貿易(上海)有限公司("Guo Chin"), has commenced operation and facilitated the development of the Group's trading business in the PRC. Furthermore, the Group has successfully acquired Shi Mei Ke through trust arrangement during the year. This helped to further develop its import and export trading of motor vehicles, motorcycles and related components and parts in the PRC, so as to benefit from the rapid growth of the limousine market in the PRC.

During the year, the Group's trade related operations recorded a turnover of HK\$2,415,000 (2002: HK\$19,232,000), representing a decrease of HK\$16,817,000 as compared with last year, which was mainly attributable to the continual slow down of the Hong Kong economy during the year, together with the negative impact of SARS which had affected our trade related business.

Travel Related Operations

During the year, the number of visitors to Hong Kong and the Mainland dropped as a result of SARS. Nevertheless, the Group recorded a turnover of HK\$531,000 (2002: HK\$705,000), representing a decrease of only 24.7% over last year. To cope with the development of tourism in Hong Kong and the PRC, the Group will continue to identify suitable business opportunities and adopt a conservative and cautious attitude in broadening its scope of operation and diversifying its services in order to build a solid foundation for the future.

Property Investments

During the year, the Group successfully acquired Wealth Sea Investment Limited (“Wealth Sea”) and Trend Glory Investments Limited (“Trend Glory”), both incorporated with limited liability in the British Virgin Islands, in order to complement its existing travel related operations and further provide full range tourist services in the PRC. Through such acquisitions, the Group was able to acquire high quality properties in Yangpu District, Shanghai, taking a great step forward in its service apartment operation. The properties contributed HK\$1,047,000 in revenue for the Group in the year.

PROSPECTS

Details of the prospects of the Group are set out in the relevant section in the Chairman’s Statement on pages 3 to 4.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2003, the Group’s cash on hand and deposits in banks and other financial institutions totalled HK\$20,747,000 (2002: HK\$6,677,000), comprising Hong Kong dollar deposits of HK\$1,715,000 and Renminbi deposits of RMB20,174,000.

As at 30 June 2003, the Group’s bank borrowings were US\$2,000,000, bearing interest at floating rates. These borrowings were secured by the Group’s investment properties.

On 6 November 2002, the Company placed 4,370,000,000 new shares at a price of HK\$0.011 per share, raising net proceeds of approximately HK\$47,316,000. Subsequently on 8 January 2003, the Company placed 624,000,000 new shares at a price of HK\$0.1 per share, raising net proceeds of approximately HK\$62,080,000. Among the net proceeds stated above, approximately HK\$17,371,000 was used to settle the partial consideration for acquiring the entire equity interests of Wealth Sea, approximately HK\$60,000,000 was used to settle part of the consideration for acquiring the entire equity interests of Trend Glory, and the balance was applied to develop its trading businesses of motor vehicles and related components and parts and as working capital of the Group.

CONTINGENT LIABILITIES

As at 30 June 2003, the Group did not have any material contingent liabilities.

PLEDGE ON THE GROUP’S ASSETS

As at 30 June 2003, part of the Group’s investment properties with carrying value of HK\$32,018,000 (2002: nil) were pledged to secure loans.

EMPLOYEE REMUNERATION POLICY

As at 30 June 2003, the Group had a total of 20 employees in the PRC and Hong Kong. The staff costs for the year amounted to HK\$8,136,000 (2002: HK\$3,850,000). In order to remain competitive, the salary and bonus of the staff are based on their individual performance.