

■ MANAGEMENT'S STATEMENT

RESULTS

The Group recorded a net profit for the year ended 31 March 2004 of HK\$52,662,000 (loss for 2003: HK\$546,000). Earnings per share was HK11.90 cents compared with loss per share HK0.42 cents for the year ended 31 March 2003. The improved results were mainly attributable to the timely disposals of certain investment properties during the year.

DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year (2003: Nil).

BUSINESS REVIEW

The principal activities of the Group continue to be property and securities investments. Looking forward, the management intends to diversify the Group's business so as to obtain a balance between steady revenue stream and capital appreciation opportunities.

Property Investment

Investment properties with carrying value of approximately HK\$105,531,000 were sold during the year resulting in a gain of approximately HK\$64,241,000. Due to the disposals, rental income dropped from approximately HK\$6.8 million for the year ended 31 March 2003 to approximately HK\$3.9 million for the current financial year.

During the year under review, the Group invested HK\$14 million, representing 7% shareholding of an unlisted company which holds two pieces of agricultural land in Hong Kong for residential or non-residential development purposes at various agricultural lots and house lots in Demarcation District Nos. 103 and 115. The total registered area of the site is approximately 88,257 square meters. It is expected that it will provide significant investment returns to the Group in the foreseeable future.

Securities Investment

The Group has made certain securities investments in both listed and unlisted companies in Hong Kong and overseas in order to capitalise on the recovery of these economies in general. The Group disposed of a certain portion of the investment portfolio which was considered to be non-performing during the year, resulting in a loss of approximately HK\$1.7 million (2003: HK\$0.3 million).

■ MANAGEMENT'S STATEMENT

Other investments

The Group is of the opinion that stable source of income is an important backup to the Group's core business. As a result, the Group has acquired two new business ventures during the year under review:

Property Management Systems ("PMS")

The PMS is a fully integrated solutions consisting of modules that can be expanded allowing swift deployment for all sized hospitality environment. The result is a powerful but user-friendly management tool empowering hospitality management and staff to focus on their core activities. Hence, the provision of more satisfied customers and higher returns on their investment. The PMS is new to the market and is still in its developmental stage, this implies an explicit business expansion opportunity for the Group in the hospitality industry, particularly hotels in Shanghai and Beijing. It is expected that the PMS business will generate a steady income stream in the future.

Wired or wireless high-speed Internet access solution

During the year, the Group also provided wired or wireless high-speed Internet access solution service to hotels in the Asian region. The system offers a wired/wireless broadband Internet platform to hotels and their guests with web pages providing rich contents including hotel services, local attractions, weather information and news and, etc. This system was originally developed by the IT professionals in Canada and the introduction of this system into that sector, coupled with the total utilisation of this technical prowess made the Group a pioneer in the field. This well recognised expertise enabled the Group to be qualified by various top hotels in Shanghai and Beijing as their designated supplier of this system. The Group expects the qualified service provider status and the continuing growth of this market will generate a steady stream of new business for the Group.

These two investments are expected to contribute to the profit growth of the Group in the coming years.

General

During the year, the Group acquired certain subsidiaries which are mainly engaged in the provision of high-speed wireless Internet access technology and property management system solutions for an aggregate consideration of HK\$14 million.

LIQUIDITY AND FINANCING

The Group generally financed its operations through internally generated funds and facilities provided by its principal bankers. Following the completion of an open offer in August 2003 and the completion of a private placing in September 2003, the Group's liquidity and financing structures have been further strengthened and rationalized.

The Group's operating activities was resulted in net cash outflow of approximately HK\$28,570,000 (2003: HK\$17,496,000). The major cash inflow of the Group during the year was resulted from the net cash inflow from investing activities of approximately HK\$77,476,000 (2003: HK\$25,656,000) which was mainly derived from the proceeds on disposal of investment properties.

■ MANAGEMENT'S STATEMENT

As at 31 March 2004, the Group had an unsecured convertible note of approximately HK\$7.25 million.

The Group's exposure to fluctuation in exchange rates was minor and immaterial.

As at 31 March 2004, the Group did not have any charge on the assets of the Group nor any significant contingent liabilities.

CAPITAL STRUCTURE

As at 31 March 2004, consolidated shareholders' equity reached approximately HK\$102,008,000 (31 March 2003: HK\$69,969,000) and the Group's debt to equity ratio was approximately 0.07 times (2003: 0.84 times). Debt to equity ratio is calculated as total borrowings divided by total shareholders equity.

HUMAN RESOURCES

It is the policy of the Company to contract out to external experts certain of the technical aspect of property management, thus obviating the need for a large workforce of permanent employees.

As at 31 March 2004, the Group has 2 executive directors and 2 independent non-executive directors and has no full time staff.

PROSPECTS

There was notably increase in activity in the property market in Hong Kong during the first quarter of 2004. However, in view of the uncertain and volatile nature of the property market in Hong Kong since 1997, and the outlook for a full recovery in the market is still arguably unclear, the management maintains a conservative yet cautious approach. On the other hand, the management considers that the continuing rapid growth in the property market in the PRC will provide better investment opportunities to the Group for achieving sustainable growth in capital appreciation. In light of this, the management will begin actively looking for any investment opportunities with growth potential in the property market in the PRC.

The market interest rate is kept at a low level for a long period of time. There is speculation that low interest rate will not last long and there will be a turnaround in the near future. Based on this circumstance, the Group has repaid the outstanding principal amount of approximately HK\$7.25 million in full on the date of maturity of convertible notes in order to reduce the burden of the Group from its internal resources.

Wong Hon Kit

Executive Director

Hong Kong, 27 July 2004