

FINAL RESULTS

For the year ended 31st March, 2004, the Group recorded a turnover of HK\$23,305,000 (2003: HK\$51,493,000) and a loss of HK\$12,738,000 (2003: HK\$43,684,000). Loss per share was HK0.4 cent (2003: HK1.4 cents). The decrease of the Group's turnover was principally due to the absence of property sales during the year, whereas loss for the year, which was significantly reduced by 71% when compared to last year, represented mainly the loss recorded for the Group's investment activities.

The directors of the Company do not recommend the payment of a final dividend for the year.

OPERATIONS REVIEW

For the year under review, the Group was principally engaged in the businesses of financing, securities, property and investment holding. The financing business continued to be a stable and major contributor to the Group's turnover and operating profit. When compared to last year, this business segment again reported an encouraging revenue growth of 45% reaching HK\$22,475,000 (2003: HK\$15,528,000) and an increase of operating profit by 52% to HK\$21,898,000 (2003: HK\$14,415,000). As it continued to be the Group's operational strategy to deploy its financial resources in hand as capital for its financing business before they are committed to other investment opportunities, the Group's portfolio of loans receivable was increased by 40% to HK\$345,315,000 when compared to the preceding balance sheet date.

The Group was not active in its securities and property businesses during the year. An operating loss of HK\$1,563,000, resulting mainly from the loss on disposal of listed securities, was recorded by the securities segment. As for the property segment, an operating loss of HK\$1,823,000 was reported which represented mainly the segment's operating expenses and management costs of the Group's properties.

The Group's investment activities reported an operating loss of HK\$23,931,000 for the year. The loss was mainly constituted by the impairment loss of HK\$11,321,000 recognised in respect of an intangible asset (technology for the manufacture of global positioning security systems ("GPSS")) owned by a subsidiary in view of its unsatisfactory performance; and the impairment loss of HK\$11,000,000 recognised in respect of an investment in a financial service group for the purpose of writing down the investment to its recoverable amount. The subsidiary engaged in the manufacturing of GPSS was disposed of during the year in view of its uncertain future business performance for a consideration effectively approximate to the Group's share of its net assets.

In May 2003, the Group also disposed of a subsidiary which owned the rights to acquire part of a property in Shenzhen, the People's Republic of China ("PRC") as stated in the Company's announcement dated 13th May, 2003. The profit arose from the disposal was HK\$500,000.

Management's Report

For the year under review, the business performance of Xi'an Yizhiliu Pharmaceutical Co., Ltd. ("Xi'an Yizhiliu"), an investee company 22.5% owned by the Group, was adversely affected by the Severe Acute Respiratory Syndrome ("SARS") epidemic in China. A decline in revenue was recorded by Xi'an Yizhiliu mainly because of the slow down of its sales and marketing activities during the outbreak of SARS and an overall loss was incurred for the year. In view of the fact that sales activities of Xi'an Yizhiliu has picked up after the containment of SARS, it is expected that its results will improve in the coming year.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The liquidity position of the Group remained strong throughout the year. At 31st March, 2004, the Group's net current assets amounted to HK\$252,955,000 (2003: HK\$404,165,000) with bank balances and cash totaled HK\$28,218,000 (2003: HK\$96,391,000). The decreases of the Group's current assets and bank balances were primarily due to the increase of loans receivable which are due for repayment after one year.

At 31st March, 2004, the Group had a bank overdraft of HK\$58,000 which bore commercial floating rate interest and denominated in Hong Kong dollars. Unutilised bank overdraft facility available to the Group was about HK\$2 million at the year end date. The Group was in net cash position at 31st March, 2004, bank balances and cash totaled HK\$28,218,000 net of bank overdraft of HK\$58,000 was HK\$28,160,000. Gearing ratio calculated on the basis of the Group's net bank borrowing over shareholders' funds was therefore nil at the balance sheet date.

The Group's asset portfolio is mainly financed by its shareholders' funds. At 31st March, 2004, shareholders' funds of the Group amounted to HK\$466,683,000 (2003: HK\$460,432,000), equivalent to a consolidated net asset value of about HK13.4 cents per share of the Company. The increase of shareholders' funds was primarily related to funds raised by the Company of about HK\$19 million through placements of a total of 365 million new shares in December 2003 and January 2004, such increase in shareholders' funds was partly offset by the loss of HK\$12,738,000 incurred by the Group during the year. In May 2004, the Company further raised funds of about HK\$12.1 million by a placement of 240 million new shares.

Pledge of Assets

None of the Group's assets was pledged at 31st March, 2004.

Capital Commitment

At 31st March, 2004, the Group had a capital commitment of HK\$943,000 in respect of the acquisition of a 100% interest in a company principally engaged in the marketing, promotion and sale of electronic products in the PRC.

Given the liquid assets on hand and available banking facilities, the management is of the view that the Group has sufficient financial resources to meet its capital commitment and ongoing operational requirements.

Foreign Currency Management

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

Contingent Liabilities

The Group had no material contingent liabilities at 31st March, 2004.

EMPLOYEES AND REMUNERATION POLICY

At 31st March, 2004, the Group employed about 15 staff members including directors of the Company. Staff costs incurred during the year, including directors' emoluments, amounted to HK\$6,591,000 (2003: HK\$7,920,000).

It is the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remunerations of employees are generally reviewed on an annual basis. Remuneration packages, include granting of share options, are structured to motivate individual performance and contributions to the Group.

BUSINESS PROSPECTS

For the year ahead, the management will continue with its dual focuses of enhancing the profitability and growth of the Group's existing businesses and looking for investment opportunities that will create substantial value to shareholders. In view of the continuous strong growth of China's economy, emphasis will be placed on seeking business opportunities that are Mainland related as well as those opportunities that will benefit from the introduction of the Closer Economic Partnership Arrangement between Mainland and Hong Kong.

Management's Report

APPRECIATION

The year under review continued to be a challenging one for the Group. On behalf of the Board of Directors, I would like to thank all management and staff for their hard work and contributions 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, 2004