

# Chief Executive Officer's Review

## FINANCIAL REVIEW

### Results for the year

During the year under review, the Group recorded a turnover of approximately HK\$33.5 million representing a decrease of 36.11% as compared to last year (2000: HK\$52.4 million). The drop in turnover was due to the disposal of several investment properties and the property management, maintenance and agency services business.

The loss attributable to shareholders for the year was approximately HK\$157.2 million (2000: HK\$37.8 million) as the Group's results were greatly affected by the impairment loss on goodwill arising on acquisition of an associate at approximately HK\$142.0 million and the amortisation of goodwill arising on acquisition of the same associate of approximately HK\$22.9 million. The loss per share was HK33.68 cents (2000: HK9.43 cents).

### Financial Resources and Liquidity

#### *Borrowings and Charge on Group Assets*

As stated above, the Group had disposed of most of its properties during the year, and the related bank borrowings were either repaid or disposed of upon disposal of the property holding companies together with any outstanding loan therein. Accordingly, the Group had no bank borrowing at the balance sheet date.

#### *Exchange Rate Exposure*

Except for the properties held for sale in Japan, all assets, liabilities and transactions of the Group are denominated in Hong Kong dollars. As the exchange rate of Japanese Yen depreciated against Hong Kong dollars, the Group recorded an unrealised loss of approximately HK\$5 million during the year. Other than this, the Group was not exposed to material exchange risk.

#### *Ageing Analysis*

More than 46% of the Group's trade receivables were settled within 60 days for both years and this ensured sufficient cash inflow to meet the needs of daily operations.

#### *Current Ratio*

The current ratio improved from 1.31 to 1.98. The directors are of the opinion that the Group has sufficient liquid assets to maintain daily operations.

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### Subscription agreement

In August 2000, the Company entered into a subscription agreement to issue 80,399,926 new ordinary shares of the Company to Rocket High Investments Limited, a company beneficially and wholly owned by a director of Far East Consortium International Limited, a then substantial shareholder of the Company. This transaction was completed in October 2000 with part of the net proceeds being applied to reduce the Group's bank borrowings and the remaining amount retained for future investment purposes.

### BUSINESS REVIEW

#### Significant Investments

In the past, the Group has been principally engaged in the investment and development of properties and investment holding. However, the Directors hold their view as indicated in its 1999/2000 Interim Report issued on April 27, 2000 and its circular dated September 8, 2000, the Group would look out for quality investments in areas other than property and property management to open up new sources of revenues, and particularly in the area of telecommunication and the related business. The Directors believe that acquisition of an interest in an internet communication and products and services company on February 26, 2001 would present an excellent opportunity for the Group to invest into the prosperous telecommunication area in the PRC. During the year, the internet and telecommunication business worldwide has been materially affected by the recessionary economy in most countries. This hinders the continuing growth in technical and business development in this area. However, the directors are still cautiously optimistic that this sector will recover when the world economy improves.

#### Material Disposals

Save for the aforesaid, the Group has also entered into an agreement with E-Cash Ventures Limited, a wholly-owned subsidiary of Far East Consortium Limited, to dispose of its entire interest in Mutual Luck Investment Limited at the consideration of HK\$120 million. As at the date of this report, the completion of the transaction has been extended under mutual agreement in accordance with the Mutual Luck Agreement and is expected to take place soon.

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## Major Transactions

Pursuant to a public announcement to shareholders dated December 14, 2000 in connection with major transactions for China Rich Holdings Limited ("China Rich") and connected and major transaction for the Group in relation to the Evergreen Agreement, discloseable and connected transaction for the Group in relation to the Mutual Luck Agreement, and possible unconditional mandatory cash offer for all the issued shares in the Group, except for the Mutual Luck Agreement which has survived for completion, all other transactions under the Evergreen Agreement had been rescinded on May 7, 2001 as a result of an anticipatory breach by China Rich of certain warranties not being met. The Group has reserved the right to claim damages as a result of the abovesaid rescission. This subject matter has been contained in an announcement dated May 10, 2001 to shareholders.

## EMPLOYEES

The number of staff as at July 31, 2001 was 8 representing 97.4% decrease over the last year due to the Group's disposal of property maintenance, management and agency services which is labour intensive.

An employees' share option scheme was adopted on March 7, 1997, pursuant to which the Board of Directors of the Company may grant options to eligible employees, including directors, of the Company and its subsidiaries, to subscribe for shares in the Company.

## OUTLOOK

The Group has completed the disposal of most of its investment properties and the PRC investments. This provides an opportunity for the directors to pursue a policy of diversification with a view to broadening income base in areas with considerable growth potential. The Group's current earnings may be affected as a result of the business diversification program. Nonetheless, the directors are of the view that the new business, when mature, will generate profits more than offsetting the loss of immediate earnings.

With the world economy to remain recessionary, the directors remain cautious and prudent in pursuing investments for growth and in re-positioning the Group for diversification.

**YAO HON CHING**

*Chief Executive Officer*

Hong Kong, November 23, 2001