

Chairman's Statement

I am pleased to present to the shareholders the Annual Report of the Group for the year ended 31st January, 2002.

In respect of the results of the Group for the year ended 31st January, 2002, the Group's audited loss attributable to the shareholders is HK\$7,977,255 (2001: HK\$8,422,328). Such loss is mainly due to the revaluation deficits of the Group's investment properties and the low market value of the property held by the Group's associate as compared with its book value. Loss per share for the year is HK9.64 cents (2001: HK10.52 cents).

The major financial resources of the Group are derived from the sales and renting of properties. All these activities are based in Hong Kong and Macau.

Though the Injunction Order had been put aside by the delivery from the Court of First Instance of Macau in March 2001 of the outcome of the civil litigation between Ka Fai Land Investment Company Limited ("Ka Fai"), a 81.65% owned subsidiary of the Group, and its joint venture partner, Lune Kin Investment and Development Company Limited ("Lune Kin") in respect of the development of Phases II, III, IV and V of Lisboa Gardens, as Lune Kin had filed an appeal to the Court of Second Instance of Macau, the Injunction Order was sustained, subject to the decision from the Court of Second Instance of Macau. However, such appeal has not yet been finalized by the Court of Second Instance of Macau. The lawyer of Ka Fai is following up the case closely and he is of the opinion that the outcome will be favourable to Ka Fai.

The sales of the remaining units of the multi-storey building "Little Lisboa", which is solely developed by Ka Fai, were completed and recorded in this year's results.

The deal to sell the whole composite building "Hudong Building" in Fuzhou, China, which is developed by Staten (Fujian) Real Estate Co., Ltd. ("Staten"), a 45% owned associate of the Group, to an intended purchaser has fallen through finally as the weak property market in Fujian caused the failure to get a compromise between Staten and the intended purchaser on the consideration and certain other terms. Staten has restarted the rounding-off works, which were postponed as requested by that intended purchaser. It is expected that the works will be finished and the composite building will be checked by the end of July 2002. Staten is for the time being negotiating with certain potential purchasers, with a hope to complete the sale of the composite building as soon as possible.

The investment properties of the Company with a book value of HK\$7,980,000 (2001: HK\$9,700,000) were pledged to secure banking facilities to the Group. In addition, the Group had obtained bank overdrafts of HK\$2,000,000.

As at 31st January, 2002, the Group had an utilizable fund in cash of HK\$4,119,804 (2001: HK\$2,972,618). The sales of the Hudong Building can provide the Group with financial resources.

The gearing ratio of the Group, calculated on total liabilities to shareholders' fund is 0.43 (2001: 0.38).

As at 31st January, 2002, the Group's net current liabilities amounted to HK\$1,566,829 (2001: HK\$300,086) representing a liquidity ratio of 1.00:1.14 (2001: 1.00:1.023). The Group is in a liquid position to meet the repayment of bank loan and the loan repayment schedule.

The Group is not subject to fluctuations in exchange rates as its investment portfolio is based in Hong Kong, Macau and the People's Republic of China only.

For the year ended 31st January, 2002, the total emoluments paid to an independent non-executive director amount to HK\$138,333 (2001: HK\$865,000).

The emoluments of the only one employee of the Group, other than the director's fees paid to an independent non-executive director, during the year ended 31st January, 2002 were HK\$72,840 (2001: HK\$72,840).

Save as disclosed above, there has been no material change to the information disclosed in the Company's annual report for the year ended 31st January, 2001.

Hong Kong, 21st May, 2002

JONG KONG KI
Chairman