

REVIEW OF OPERATION

During the financial year ended 31st March, 2002, the Group recorded a turnover of approximately HK\$113.3 million (2001: HK\$70.0 million) which was mainly contributed by the pre-sale/sales of residential/commercial/office units developed by the Group. Profit before taxation and net profit attributable to shareholders were approximately HK\$53.0 million (2001: HK\$30.7 million) and HK\$27.8 million (2001: HK\$22.0 million) representing an increase by approximately 72.6% and 26.4% respectively, compared to the figures in the previous financial year of 2001. The improvement in profit before taxation and net profit attributable to shareholders was due to an increase in the pre-sale/sales of properties. Net profit margin was slightly decreased to approximately 24.5% from 31.4% in the previous year. Such decrease was largely due to the increase in the selling and administrative expenses for the year ended 31st March, 2002.

MAJOR PROJECTS OF THE GROUP

Dalian Asia Pacific Finance Centre

The leading development project of the Company – Dalian Asia Pacific Finance Centre (大連亞太國際金融中心), is a 28-storey commercial and residential building located at no. 55 Renmin Road, Zhongshan District Dalian, a prominent landmark within Dalian's central business district. Located in the immediate vicinity of Dalian Asia Pacific Finance Centre are financial institutions and 5-star hotels. The excellent strategic location and high accessibility of Dalian Asia Pacific Finance Centre make it a prestigious business and residential property. Dalian Asia Pacific Finance Centre is fully equipped with all necessary amenities and utilities, including clubhouse, business center, conference room and parking area so as to cater for residential and commercial needs. The project has been completed in December 2001. It is believed to be one of the most luxurious commercial and residential developments in Dalian in 2002.

Gao Er Ji Road Project

In addition to Dalian Asia Pacific Finance Centre, another development of the Company is Gao Er Ji Road project (高爾基路項目) located in Dalian, Gao Er Ji Road project occupies a site area of approximately 3,855sq.m. with an aggregate GFA of approximately 15,912 sq.m. and is in the vicinity of the town center. The development of the project is expected to be completed by the end of the year 2003.

Golden Pebble Beach Project

Another development which is at the planning stage is a coastal site at Golden Pebble Beach (金石灘項目) adjacent to Dalian Golden Beach Golf Club. It concerns approximately 36,002 sq.m. of sea-front land within the Jinshitan National Tourist Zone, which offers lush greenery and a landscaped environment. The Directors believe that this site will become more popular upon the completion of a light railway connecting the site with Dalian city center, which is expected to be completed within a few years. The Golden pebble Beach project site is located in one of the exclusive residential areas of Dalian away from the town center. The Directors intend to develop the project site into around 31 villas with a GFA of approximately 18,001 sq.m.. The development of the Golden Pebble Beach project is expected to be completed in 2005.

LISTED SUCCESSFULLY

The Group was listed on the main board of The Stock Exchange of Hong Kong Limited successfully on 15th May, 2002. It indicates that the Group will develop and expand with an increasing pace.

BUSINESS OUTLOOKS

In order to tap the potential growth in the demand for quality and modern residential and commercial premises in the PRC, the Directors intend to continue to focus on its property development business in Dalian in the near future by employing different strategies for different types of property developments. In relation to residential properties, the Directors will focus on the development of medium to large size residential apartments with modern concepts of information technology infrastructure and energy conservation, whereas in relation to commercial properties, the Directors will, after conducting necessary market research, develop the type of commercial buildings which will be popular in Dalian. The Directors expect that the sales of both residential and commercial properties developed by the Group will continue to generate a substantial income for the Group and offer a high income revenue for the Group.

Most of the properties developed by the Group are expected to be sold but the Group have also selectively retained a portion of these properties for long term investments to broaden its income base. For rental purposes, the Group intended to retain approximately 20.9% and 9.4% of all commercial and residential units developed by the Group respectively for long term investment purpose.

The Directors intend to maintain a land bank in Dalian sufficient to support the Group's future development activities by purchasing more land to complement the existing property portfolio of the Group.

The Directors also plan to further strengthen the Group's property management business through Dalian Asia Finance Property Management Consultant Co. Ltd, particularly by way of forming alliances or associations with professionals with the relevant experience and expertise. Such alliances or associations are expected to further enhance the Group's management, corporate expertise and business connections.

With a view to diversify the investment portfolio of the Group, the Directors are opened for opportunities to make strategic investments and/or mergers and acquisitions with companies in the PRC, in which their business are complementary to the Group's existing business and with high growth potential.

FINANCIAL REVIEW

Net assets

As at 31st March, 2002, the Group recorded total assets of approximately HK\$341,848,000 which were financed by liabilities of approximately HK\$230,785,000. The Group's net asset value as at 31st March, 2002 increased by 186% to approximately HK\$111,063,000 as compared to approximately HK\$38,842,000 as at 31st March, 2001.

Liquidity

The Group had total cash and bank balances of approximately HK\$3,167,000 as at 31st March, 2002 (2001: approximately HK\$10,269,000). As at 31st March, 2002, the current ratio has been changed to 1.09 (2001: 0.98) and the gearing ratio (debt to equity) has been changed to 0.61 (2001: 1.75) with equity being defined as the total of capital and reserves.

Charges on assets

At 31st March, 2002, properties amounting to HK\$132,059,000 (2001: HK\$125,418,000) were pledged to banks to secure banking facilities granted.

Treasury policies

The Group generally finances its operations with internally generated resources and credit facilities provided by banks in the PRC. The interest rates of most of these are charged by reference to the PRC bank rates. Both bank deposits and borrowings are mainly in renminbi.

Contingent liabilities

At 31st March, 2002, the Company had contingent liabilities in relation to penalties for late completion of properties of approximately HK\$8,469,000 and guarantees given to a bank in respect of mortgage facilities granted to purchasers for the acquisition of the properties of amounting to approximately HK\$94,867,000.

Use of proceeds of New Issue

The Company placed and issued 130,000,000 shares on 9th May, 2002 and the ultimate holding company of the Company had also placed 70,000,000 shares at a price of HK\$0.25 each.

As at 24th July, 2002, the net proceeds of share offer, after deduction of related expenses, were approximately HK\$24,200,000 and HK\$18,200,000 has been utilized for the development of various projects, expansion of the property management business and working capital of the Group. The balance of approximately HK\$6,000,000 was placed into short term fixed deposit and savings account and will be used for the Group's business in accordance with the plan.

Capital commitment

As at 31st March, 2002, there was no material capital commitment for the Group and the Company.

Foreign exchange exposure

The Group mainly earns revenue and incurs costs in Renminbi, United States dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal as long as the policy of the Government of Hong Kong Special Administrative Region to link the Hong Kong dollars to the United States dollars remains in effect.

Employee and remuneration policies

As at 31st March, 2002, the Group employed approximately 68 full time staff in the PRC, Hong Kong and Overseas. The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.