

Chairman's Statement

BUSINESS REVIEW

The Group's turnover for the year was approximately HK\$37,580,000, representing an increase of 12% over the same period of last year. Turnover for the year was mainly derived from financial and property investment. In the past, the Group also engaged in the business of property maintenance, management and agency services, which was disposed of in 2001. During the year, the Group recorded a loss of approximately HK\$98,816,000, an improvement of 37% as compared with that of last year. The loss for the year was mainly due to the deficit arising on revaluation of investment properties of HK\$7,610,000, amortisation of goodwill arising on acquisition of subsidiaries of approximately HK\$4,089,000, impairment loss on other securities of approximately HK\$21,174,000, impairment loss on goodwill arising on acquisition of subsidiaries of approximately HK\$36,175,000 and the allowance for properties held for sale of approximately HK\$29,626,000.

Property investment

Property investment continues to be one of the core businesses of the Group. Owing to the sluggish property market in Hong Kong, the average rental yield of the Group's investment properties was not very satisfactory due to low occupancy rate, and a revaluation deficit of HK\$7,610,000 was reported.

During the year, the Group had acquired certain properties in the People's Republic of China (the "PRC") at a total consideration of HK\$22,700,000. The Group also holds several parcels of land in Japan and Hong Kong for sale, an allowance of approximately HK\$29,626,000 was made in current year in light of the drop in net realisable value. The Group will continue to seek for potential buyers for disposing of these sites at reasonable prices.

In May 2002, the Group acquired 10% equity interest in Focus Venue Sdn Bhd ("Focus Venue") at a consideration of HK\$25,000,000. Focus Venue is incorporated in Malaysia and owns parcels of land, which comprises a total area of 104.5 acres and is intended for memorial park usage, at Malaysia.

In December 2000, the Company entered into a conditional sale and purchase agreement (as supplemented) with E-Cash Ventures Limited ("E-Cash"), a wholly owned subsidiary of Far East Consortium International Limited ("FECI"), to dispose of its entire 15.33% interest in Mutual Luck Investment Limited ("Mutual Luck") to E-Cash for a consideration of HK\$120,000,000. Mutual Luck owns a parcel of land at Fung Lok Wai in Yuen Long, New Territories. On 28th February, 2002, the Company, FECI and E-Cash entered into a deed of release pursuant to which, FECI agreed to issue transferable loan notes amounting to HK\$108,000,000 ("Transferable Promissory Loan Notes") in favour of the Company in total satisfaction and settlement of the HK\$108,000,000 (being the aggregate of the second and third instalments of consideration receivable in respect of the disposal of the Group's entire interest in Mutual Luck) outstanding from E-Cash and all other payment obligations of E-Cash and FECI. The Transferable Promissory Loan Notes carry interest at 5% per annum, of which HK\$48,000,000 be repayable on 27th February, 2005 and HK\$60,000,000 be repayable on 30th May, 2005. An amount of HK\$22,000,000 remained outstanding under Transferable Promissory Loan Notes as at 31st July, 2002.

Financial investment

Financial investment mainly involved the dealings in securities in Hong Kong. During the year, a banking facility of HK\$22,000,000 had been arranged to back up the financial investment business. Although financial investment represented the largest part of the Group's turnover, it did not contribute significantly to the Group's operating results and the aforementioned banking facility was unutilised as at the balance sheet date.

Tourism and sale of silk products

In July 2002, the Group acquired 70% equity interest in Marcello Asia Limited ("Marcello Asia") at a consideration of HK\$6,900,000. Marcello Asia operates a retail shop, selling mainly silk and clothing products and targeting tourists visiting Hong Kong. Tourism will be one of the major focuses of Hong Kong economy in the coming decade and is considered to be crucial to its turnaround. The Government is committed to promote the tourism of Hong Kong by establishing more attractions, such as the cable car at Lantau Island. More visitors to Hong Kong are expected, especially upon the opening of the Disneyland. Mainland China visitor number is up and their high spending pattern helps boosting the tourist industry in all aspects. Therefore, the Group is considering to put more resources in developing the tourist business with a view to opening up new revenue sources.

Other Businesses

In view of the general adverse market sentiment on internet business and the loss making history of Worldwide IP Communications Limited ("WWIP") in which the Group held 40% interest, the Group, during the year, resolved to disposed of its entire interest in WWIP at a profit of approximately HK\$37,000.

In April and May 2002, the Group acquired 20% equity interest in Vistanet (M) Sdn Bhd ("Vistanet") at a consideration of HK\$25,500,000 and 100% equity interest in Finacorp Resources (M) Sdn Bhd ("Finacorp") at a consideration of HK\$23,500,000 respectively. Vistanet and Finacorp is mainly engaged in the business of construction and interior design works respectively in Malaysia, both of which made no significant contribution to the Group's operating result during the year under review.

FINANCIAL REVIEW

The net asset value of the Group was approximately HK\$100,023,000 (2001: HK\$177,873,000). The Group has maintained cash reserve of approximately HK\$9,862,000 as certain acquisitions during the year was satisfied by the issue of promissory notes.

As at 31st July, 2002, the Group has been granted banking facilities of up to HK\$26,000,000 and out of which, approximately HK\$2,561,000 was utilised. The bank loans are secured by the Group's properties and are denominated in Hong Kong dollars bearing interest with reference to prime rate. The gearing ratio (total liabilities divided by total capital and reserve) for the year was 37% (2001: 10%).

Except for the properties in Japan, Malaysia and PRC, all assets, liabilities and transactions of the Group are mainly denominated in Hong Kong dollars. Other than this, the Group was not exposed to material exchange risk.

Chairman's Statement

In July 2002, the Board proposed the reduction of share capital, reduction of share premium account, reduction of capital reduction reserve account and increase in the authorised share capital ("Proposals"), details of which have been disclosed in the circular to shareholders dated 5th August, 2002. On 10th October, 2002, the High Court granted an order confirming the capital reduction, and the effective date of the Proposals was 11th October, 2002.

REWARDS FOR EMPLOYEES

The number of staff as at 31st July, 2002 was around 65. Staff are remunerated according to qualification, experience, job nature and market conditions. The Company also provides mandatory provident fund scheme to the staff in Hong Kong. There was no share option granted to any director and staff during the year. In order to comply with the new Listing Rules, an extraordinary general meeting will be held on 30th December, 2002 to seek for shareholders' approval for the adoption of a new share option scheme.

PROSPECT

The year ahead will be a year of re-engineering for the Group. In July 2002, Tellus Investments Limited, of which the new Chairman of the Group Mr. Tse Cho Tseung is the sole shareholder, acquired 143,000,000 shares in the Company and thus becoming a substantial shareholder. Continuous efforts have been made by the Board to review the Group's existing operations, and impairment loss of approximately HK\$57,349,000 was recognised in respect of goodwill and other securities. Moreover, in order to conserve resources for future development, non-core businesses with less controllable interest and investments or assets with low productivity or high capital outlay may be disposed of in the forthcoming years should opportunities arise.

TSE CHO TSEUNG

Chairman

Hong Kong, 15th November, 2002