

### BUSINESS REVIEW

The performance of Hong Kong economy in the previous year has confirmed the anticipation from the Management; overall economy was weak; the sales of property market was slow; both price and rental went down continuously as an end result. Deflation and unemployment rate remained on the high side; performance of consumer market was behind and far from recovery. During the year, the Group achieved a growth in the sales revenues through continued effort, but still, the Company recorded a loss of HK\$5.34 million in year 2002.

The loss was primarily from non operating expenses which included the impairment loss on the self-use office amounted to HK\$1.9 million, together with the commission and professional expenses of approximately HK\$1 million related to the placing of new shares and the signing of letter of intent for a new investment.

The Group resumed the jewellery sales business in 2002, though in an unfavourable condition, generated and achieved an increase of 47% on sales to HK\$3.73 million as compared with 2001. The Group had also been working cautiously on the financial performance to improve the interest income level significantly to HK\$1.35 million.

In 2002, the Company issued new shares for cash through placement in March and August, obtaining an aggregate amount of HK\$65.7 million. We intend to use the net proceeds to capture appropriate investment opportunities in order to diversify the income source of the Group. In December, the Group entered into a legally-binding letter of intent with the PRC parties relating to an investment in 40% of the enlarged equity interest of the JV company in mainland China by way of capital contribution of RMB20 million. The JV company is expected to be principally engaged in the research and development of liquid crystal display, optical components and system, and the manufacture, development and sale of LCOS (Liquid Crystal On Silicon) based television projector and digital signal transmitting devices. As the PRC parties are in the course in fulfilling the conditions of the letter of intent, both parties have agreed to extend the deadline of the letter of intent till the early of June 2003. Since we have not yet concluded any solid investment contract, the captioned proceeds have been retained as general working capital for the time being.

We believe that our "cautious strategy" was working properly and correctly in the previous year to minimize the risk of inappropriate investment due to the uncertainty of economic situation. We also believe that maintaining a strong liquidity position in the coming years will facilitate the Company and its business to grow and develop in the long run.

### FINANCIAL POSITION

#### Charges on Assets

At 31 December 2002, the Group was free from any mortgage charges on the Group assets.

### **Contingent Liabilities**

At 31 December 2002, the Group was free from neither borrowings nor guarantees given to any banks or financial institutions.

### **Gearing Ratio**

At 31 December 2002, the gearing ratio of the Group was nil.

### **Liquidity and Financial Resources**

The Group's cash and bank deposits at 31 December 2002 amounted to HK\$79.53 million.

### **Staff**

The Group had 8 employees at 31 December 2002 with remuneration package to be reviewed annually.

### **DIVIDEND**

The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2002.

### **FUTURE PROSPECTS**

The global economy for 2003 is still difficult to predict due to numerous political and financial issues, however, the most uncertainty factor has been removed ever since the Gulf War ended. The situation in Hong Kong is still not optimistic as both economic restructure and financial deficit remain as the issue; the impact from new financial budget will affect both consumer behaviour and retails adversely; a certain time frame is required for the market sentiment to come back. The outbreak of Atypical Pneumonia has been further bounding down the local economy severely in tourism and retails at least for the whole of second quarter. It is believed that jewellery sales will be undergoing tremendous pressure as the business conditions become more difficult in a feeble economy. China on other hand, after the 16th Chinese Communist Party Congress and the 10th National People's Congress, both long term vision and short term goal have been determined. The information of National Bureau of Statistics of China indicates there was over two digits growth in the industries such as electricity consumption, electronic industry, vehicle sales and increase of steel production capacity in 2002. The holding of Olympics and World Exhibition in 2008 and 2010 respectively are definitely another key component to boom up the economy.

As China is on the way to become one of the leading economies in the world, the goal of working on its best effort to activate the industrial growth in order to create employment opportunities and to build a well-off society is defined; these will in turn increase the demand of energy resources. Also, most importantly, the economic growth in China relies on the domestic consumption instead, hence minimizes the impact from the world's high degree of economic uncertainty in the coming years; this contributes a significant stable environment for investment.

Since 2003, we have been successfully building up a coal trading line with some coal corporations in China as their representatives and marketing arms of their product for exportation. Two shipments of totally 66,000 metric tons of fine coking coal have been arranged in March through our effort and we are confident that a business with stable recurring income will be well established.

According to our experience together with analysis of the above information; we will consistently manage the Group's financial performance in well position maintaining a low gearing ratio and keep on strengthening the liquidity level. We however, are seeking appropriate investment opportunities in the field of electronics, environmental and energy resources particularly in mainland China to diversify our business prospects and to enlarge the income base. The potential investments, which consist of characters with stable growth, recurring income and going concern business opportunities are definitely in line with our vision and strategy.

On behalf of the Company, I would express my thankfulness to my fellow directors and the colleagues for their concern, dedication and performance in the year of challenge.

**SO Kwok Hoo**

*Executive Director*

Hong Kong, 24 April 2003