

Chairman's Statement

Results

For the year ended 31st December, 2002, the Group recorded a loss of HK\$27,223,000 that was mainly attributable to impairment losses totalled HK\$20,995,000 recognised for its equity investment in a building materials manufacturing company and certain of its investment in convertible loan notes.

Business Review and Prospects

The overall investment environment facing by the Group continued to be difficult in 2002. For the Group's investments in two companies which are respectively engaged in property development and internet-related business in Hong Kong, their financial positions have deteriorated considerably during the year mainly as a result of the continuous slowdown of the local economy and the weak sentiment in investment market in general which have substantially reduced their abilities to raise further funding in achieving their business plans. As for the Group's investment in the Mainland, the investee company which holds equity interests in companies engaged in biotechnological production and the investee company in the business of building materials are both under-performing due to their difficulties in achieving the planned business targets. All these unfavourable performance of investee companies had resulted in impairment losses totalled HK\$20,995,000 being recognised by the Group for its investments in their convertible loan notes and equity interest. For 2003, it is determined that the priority task of the management is to step up its effort in monitoring the existing investment portfolio with a view to improve its performance.

As at 31st December, 2002, about 30% in value of the Group's investment portfolio was constituted by investments in convertible loan notes, 21% in Hong Kong listed securities, and 49% represented by an equity interest in a building materials manufacturing company in the Mainland. The Group's investment portfolio was financed by a short term loan of HK\$1,000,000 secured by certain of its equity securities with the balance of the portfolio mainly financed by shareholders' funds of HK\$22,831,000. Consolidated net asset value per share of the Company was HK\$0.19. Gearing ratio calculated on the basis of the amount of secured loan over shareholders' funds was at a low level of 4%.

A detailed description of the Group's investment portfolio is on pages 35 to 39.

In April 2003, the Company raised net proceeds of approximately HK\$850,000 following completion of a share placement of 24,000,000 new shares to independent investors and new fund raised is used as additional working capital. The Group's other liquid assets which can be utilised as working capital comprising mainly of listed securities in Hong Kong, the Directors are satisfied that given the cash and liquid assets on hand the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group's investment approach for 2003 will remain cautious in light of the uncertain investment environment in Hong Kong. Nevertheless, the management will continue to pursue attractive investment opportunities that will add value to the Group, particularly those that are China-related and well poised to take advantage of the country's continuous strong economic growth.

Appreciation

On behalf of the Board of Directors, I like to thank the Investment Manager and staff for their hard work during this challenging year and look forward to their support in the years ahead.

Wong Fong Kim
Chairman

Hong Kong, 28th April, 2003