

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

For the year ended 30 June 2002, the Group produced a turnover of approximately HK\$56,635,000, a 19.03% increase from last year's turnover of HK\$47,579,000. The loss attributable to shareholders for the year amounted to approximately HK\$144,740,000.

BUSINESS REVIEW

Operating of convenience stores

On 26 April 2001, the Group purchased from Goldhill Holdings Philippines, Inc. the entire 100% interest in Goldhill Merchandising Inc. ("Goldhill"). The principal business of Goldhill is provision of retail premises, leasing facilities and equipment and exclusive wholesale supply of merchandise to 16 convenience stores in the Philippines.

The Group had appointed an independent third party as a manger of Goldhill for 2 years for an underwriting income of 30,000,000 pesos (equivalent to approximately HK\$5.1 million) each year. An underwriting income of approximately HK\$4.17 million had been received by the Company during the year.

Manufacturing and trading of multi-media and digital communication products

Due to sluggish economy recovery in the Hong Kong economy and abundant supply of multi-media and digital communication products in the Great China region, manufacturing and trading of multi-media and digital communication products had contributed approximately HK\$0.25 million to loss from operations despite recording a turnover of approximately HK\$56.7 million.

主席報告書

財務業績

截至二零零二年六月三十日止年度，本集團錄得營業額約56,635,000港元，較去年營業額47,579,000港元增加19.03%。本年度之股東應佔虧損約為144,740,000港元。

業務回顧

便利店經營業務

於二零零一年四月二十六日，本集團向Goldhill Holdings Philippines, Inc.收購Goldhill Merchandising Inc. (「Goldhill」)全部權益。Goldhill之主要業務為於菲律賓提供零售商舖、租賃設施及設備，以及為16家便利店獨家批發貨品。

本集團已委任一名獨立第三者為Goldhill之經理，任期兩年，承包每年30,000,000披索(相等於約5,100,000港元)之收入，本公司已於年內收取承包收入約4,170,000港元。

製造及買賣多媒體及數碼通訊產品

鑒於香港經濟復蘇緩慢，而且大中華地區多媒體及數碼通訊產品供過於求，因此，儘管營業額錄得約56,700,000港元，惟製造及買賣多媒體及數碼通訊產品仍錄得虧損約250,000港元。

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DISPOSAL AND WINDING UP OF SUBSIDIARIES

The Group had disposed of a subsidiary, Henredon Holdings Limited, at a consideration of approximately HK\$2.78 million during the year and recorded a gain on disposal of HK\$1.2 million in the income statement.

The High Court issued winding up order to CIL Decorative Products Limited on 10 April 2002. This subsidiary was a dormant company with net deficit and did not have financial significance to the Group. The management considered it was in the best interest of the Group to allow this subsidiary to be wound up. A gain on disconsolidation of HK\$2.54 million was credited to the income statement.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had net current liabilities of HK\$156 million as at 30 June 2002. Since there was a negative equity at the balance sheet date, calculation of gearing ratio is not applicable.

During the year, the management was in negotiation with all the creditors of the Company for a settlement proposal. Details of the debt restructuring plan and its outcome are set out in the section "Restructuring proposal" below.

FOREIGN CURRENCY EXPOSURE

The Group does not have significant foreign currency exposure except that the underwriting income of 30,000,000 peso (approximately HK\$5.1 million) receivable from the manager of Goldhill in the subsequent year.

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附屬公司之出售及清盤

本集團已於年內出售一間附屬公司Henredon Holdings Limited，代價約2,780,000港元，出售收益1,200,000港元已計入收益表內。

高等法院於二零零二年四月十日向華建裝飾材料有限公司發出清盤令。該附屬公司暫無營業及有淨虧絀，但並無對本集團造成重大財務影響。管理層認為，將該附屬公司清盤乃符合本集團之最佳利益。分離併賬之收益2,540,000港元已計入收益表內。

流動資金及財政資源

於二零零二年六月三十日，本集團有淨流動負債156,000,000港元，由於在結算日出現負資本，因此並不適宜計算資本負債比率。

於年內，管理層已與本公司之所有債權人磋商一項還款建議，有關債務重組計劃及其結果已載於下文「架構重組建議」一節。

外匯風險

除於明年來自Goldhill經理人之應收承包收入30,000,000披索(約5,100,000港元)外，本集團並無重大外匯風險。

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EMPLOYEES INFORMATION

The Group had 60 employees of which 26 are employed overseas by Goldhill. The Company has a share option scheme and on 19 March 2002, an option agreement ("Agreement") was entered into with a related company, in which Mr. Ke Jun Xiang is the beneficial owner. Pursuant to the Agreement, 2,000 million options were exercisable at HK\$0.01 per share within twelve months if the related company fulfilled certain conditions specified in the Agreement. The conditions were subsequently completed on 16 May 2003.

CHARGES ON GROUP ASSETS

The Group's investment in a wholly-owned subsidiary, Collections International Limited has been pledged to an independent third party for a loan of approximately HK\$4 million. Collections International Limited is the holding company of a property development joint venture project in the People's Republic of China. Full provision for impairment loss had been made at 30 June 2002.

The Group's property of carrying value of approximately HK\$20 million together with the Company's guarantees were pledged to a bank in Hong Kong for a banking facilities of approximately HK\$50 million. Subsequent to balance sheet date, the bank took the possession of the property and disposed it at net proceeds of approximately HK\$6.4 million. Carrying value of the property had been reduced to this amount by an impairment loss of approximately HK\$13.8 million of which HK\$4.2 million was charged to income statement and HK\$9.6 million was charged to revaluation reserve.

主席報告書

僱員資料

本集團目前有60名僱員，其中26名於海外由Goldhill聘用。本公司設有購股權計劃，並於二零零二年三月十九日，與一間有關連公司訂立一項購股權協議（「協議」），而柯俊翔先生為該有關連公司之實益擁有人。根據協議，倘該有關連公司履行協議所定之若干條件，則可於十二個月內以每股0.01港元之價格行使2,000,000,000份購股權。該等條件其後已於二零零三年五月十六日完成。

抵押集團資產

本集團於全資附屬公司 Collections International Limited 之投資已抵押予一名獨立第三者，以獲取一筆約4,000,000港元之貸款。Collections International Limited 為一項中華人民共和國物業發展合營項目之控股公司。於二零零二年六月三十日，減值虧損已悉數撥備。

本集團賬面值約20,000,000港元之物業，連同本公司之擔保已抵押予香港一間銀行，以獲取銀行融資約50,000,000港元。於結算日後，銀行取得該物業之所有權並進行出售，所得款項淨額約6,400,000港元。該物業之賬面值乃經扣除減值虧損約13,800,000港元後計算所得，當中4,200,000港元乃計入收益表，而9,600,000港元已從重估儲備扣除。

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CONTINGENT LIABILITIES

There were various legal proceedings taken by the creditors against the Company and its subsidiaries during the year and subsequent to the balance sheet date. The directors consider that the estimated liabilities for the Group and the Company will be HK\$53.6 million if the creditors succeed in the claims.

RESTRUCTURING PROPOSAL

At 31 July 2002, a restructuring proposal was proposed to restructure the Group's total indebtedness of approximately HK\$220 million.

The Company issued a circular on 29 September 2001, which includes, among other things, a reduction of nominal value of all the issued capital of the Company from HK\$0.01 each to HK\$0.0002 each and the consolidation of 50 of the then adjusted shares into one new shares (the "New Shares") of the Company. The Company also announced on 15 February 2002 that the Company had entered into a subscription agreement (the "Subscription Agreement") with Trade Honour Limited (the "Subscriber") and Mr Ke Jun Xiang (the "Guarantor") pursuant to which the Subscriber had conditionally agreed to subscribe for 3,500,000,000 New Shares of the Company for a subscription price of HK\$0.01 per New Shares for an aggregate amount of HK\$35,000,000. The proceeds from the subscription would be utilised to settle the amount required for a propose scheme of arrangement (the "Scheme") under Section 166 of the Companies Ordinance of Hong Kong and under Section 99 of the Companies Act 1981 of Bermuda. The Scheme included, among other things, settlement of existing indebtedness of the Company by the issue of New Shares at an issue price of HK\$0.01 each or by the payment of cash at a ratio of approximately 13.88% for each dollars owed by the Company. Details of the Restructuring Proposal were included in a composite document, which was issued to the shareholders of the Company on 30 May 2002.

主席報告書

或然負債

年內及結算日後，債權人向本公司及其附屬公司提出多項法律訴訟。董事認為，倘債權人索償成功，本集團及本公司之估計負債將為53,600,000港元。

架構重組建議

於二零零二年七月三十一日，本集團建議進行架構重組建議，以重組本集團之總債項約220,000,000港元。

本公司於二零零一年九月二十九日發出一份通函，當中載有削減本公司全部已發行股本面值由每股0.01港元減至每股0.0002港元及將本公司50股當時之經調整股份合併為一股新股份（「新股」）之詳情。本公司亦於二零零二年二月十五日公佈，本公司已與Trade Honour Limited（「認購人」）及柯俊翔先生（「擔保人」）訂立認購協議（「認購協議」），據此，認購人已有條件同意以認購價每股新股0.01港元認購本公司3,500,000,000股新股，總額為35,000,000港元。認購所得款項將用作償還根據香港公司條例第166條及百慕達（一九八一年）公司法第99條建議之償債計劃（「計劃」）所規定之款額。計劃包括（其中包括）本公司現有債務之償還方式，可透過按每股0.01港元之發行價發行新股，或按本公司欠負之每一港元支付約13.88%之比率以現金支付。重組建議之詳情已載入綜合文件內，並已於二零零二年五月三十日寄發予本公司股東。

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RESTRUCTURING PROPOSAL (continued)

On 2 and 4 April 2003, the High Court of Hong Kong and the Supreme Court of Bermuda sanctioned the Scheme respectively. The Subscription Agreement and the Scheme were successfully completed on 16 May 2003. Net proceeds of HK\$30 million were derived and used to repay the indebtedness under the Scheme on 19 May 2003. Total indebtedness admitted under the Scheme was approximately HK\$206 million, of which approximately HK\$15 million was paid out from the proceeds. Indebtedness of approximately HK\$170 million was waived and credited to income statement of the company. The remaining indebtedness of approximately HK\$106 million was settled by issue of ordinary shares at HK\$0.01 each.

PROSPECTS

Economic condition of the local economy is still sluggish but the development of the Mainland China's economy is continuing its promising trend. It is expected investment opportunities will be further enhanced following the SAR Government entered into the Closer Economic Partnership Arrangement (CEPA) with the Central Government. In the days ahead, the management will focus in formulating strategy to develop new business ventures in the Mainland China.

Ke Jun Xiang

Chairman

Hong Kong, 31 July 2003

主席報告書

架構重組建議 (續)

於二零零三年四月二日及四日，香港高等法院及百慕達最高法院已分別批准計劃。認購協議及計劃已於二零零三年五月十六日順利完成。於二零零三年五月十九日，所籌得之所得款項淨額30,000,000港元乃用作償還計劃之債項。計劃所涉及之總債項約為206,000,000港元，當中約15,000,000港元乃以所得款項撥付。約170,000,000港元之債項已獲豁免，並計入本公司之收益表內。餘下債項約106,000,000港元乃以發行每股面值0.01港元普通股之方式支付。

前景

香港經濟預期繼續放緩，惟中國大陸經濟發展則持續向好。隨著特區政府與中央政府訂立緊密經貿關係安排(CEPA)，預期投資機會將進一步增加。於未來日子，管理層將專注制訂策略以開拓中國內地之新業務。

主席

柯俊翔

香港，二零零三年七月三十一日