

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Capital Prosper Limited (the "Company"), I herewith present the annual report of the Company and together with its subsidiaries (the "Group") for the financial year ended 31 December 2003.

### RESULTS

During the year, the Group reported a turnover of approximately HK\$87 million and a net loss of approximately HK\$21 million for year 2003.

### DIVIDEND

No interim dividend was paid for the year of 2003. The Board does not recommend any payment of final dividend for the year ended 31 December 2003.

### BUSINESS REVIEW

#### Trading and Distribution

The Group is principally engaged in the trading and distribution of consumer goods, securities trading and other investments.

The global economy has been in recovery in previous years. However, the pace of economic recovery in Asian countries has been slowed down as result of Severe Acute Respiratory Syndrome in the first half of 2003. It has had a negative impact on the retailing sector, particularly for the food and beverages industries.

In the second half of the year 2003, the government of the Hong Kong Special Administrative Region ("HKSAR") has strengthened the business co-operation with China through several policies, such as implementation of the Closer Economic Partnership Arrangement ("CEPA"). HKSAR economy has continuously improved, specifically in the retailing sector. However, in the short term, the Group may not benefit from CEPA as its retailing business mainly focuses in Singapore. In this respect, the performance in the distribution and retailing of wines and spirits has decreased compared with that of 2002.

Consequently, to capture potential business opportunities created by CEPA, the Group has acquired 60% equity interest in a gifts and toys trading company in HKSAR in January 2004. The Board believes that this trading company will generate positive profit margin for the Group in the year 2004.

#### Securities trading and investment

Midway through 2003, the stock markets remained stagnant, both in terms of trading volume and turnover. The Group's business securities trading and investments remained relatively flat. The Group sold the security brokerage license. In the second half year 2003, the local market sentiment had gained much momentum from CEPA and inflow of foreign fund. The Group has invested in blue chips securities for long-term basis. The Group may consider making further investments in the high rating securities to strengthen its income flow from this sector.

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### Prospects

To enhance the shareholders' value and to line up with the corporate strategy of business diversification which was adopted in 2002, the Group will be seeking for business opportunities in the furtherance of its existing businesses and related undertakings.

The PRC is one of the countries with the fastest growth in the economy of the world. The Group is particularly excited by the opportunities in the emerging economy of the PRC. The Board is in confidence that the Group will benefit from CEPA to enter into the PRC market. In addition, the Japanese economy has recovered to a satisfactory level of an increase of 7% in the fourth quarter in 2003. The Board considers that Mr. Leung Wai Ho, the Chairman, who has over 20 years experiences in toys and consumer electronics business with Japanese customers, and Mr. Wong Chung Shun, the Deputy Chairman, who also has valuable experiences and network will contribute to the Group for future development of the distribution and retailing markets for the gifts, toys and consumer electronics business in both the PRC and Japan. To enter Japan's market, the Group is looking for joint effort from strategic partners.

Apart from seeking new business opportunities, the Board will actively implement measures to control operating costs and to enhance operational efficiency. The Board believes that production and effectiveness can be achieved in the pursuance of the strategy of both vertical and horizontal integration of its existing businesses. Therefore, to further develop the gifts, toys and consumer products business, the Group is planning to construct a manufacturing plant with plastic and alloy injection machines in the PRC. In addition, an investment in a packing material production factory in the PRC is also considered as one of the ways to reduce the operation costs and strengthen the Group's competitiveness in the market. The Board is confident that its management team, chaired by Mr. Leung Wai Ho and Mr. Wong Chung Shun, will lead the Group in every success in the expansion of the gift, toys and consumer electronics business.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank my fellow Directors and our staff for their valuable contribution and dedication. I would also like to express our gratitude to our suppliers, customers, bankers, business associates, investors and shareholders for their continuous and dedicated support.

**Leung Wai Ho**

*Chairman*

Hong Kong, 22 April 2004