

Chairman's Statement

I hereby present to the shareholders the annual report of the Company for the year ended 31st December, 2002.

BUSINESS REVIEW

During the year, high unemployment rate and persistent deflation continued to put pressure on the local economy. The conflicts in the Middle East have brought uncertainties to the global economy which have dampened the improvement of the local economy. The operating environment remained tough in 2002. With high unemployment rate and poor investment sentiment, the stock market was sluggish and the property market remained stagnant with sliding property prices. Weak residential loan demand continued to intensify the keen competition in mortgage loan sector.

Given the difficult economic environment, the Group recorded a net loss attributable to shareholders of HK\$16.3 million for the year, representing a reduction of 49 per cent. as compared with last year. Total turnover of the Group increased to HK\$90.5 million for the year due to increase in turnover generated from treasury investment activities. The Group is still debt-free throughout the year and continues to maintain a strong financial position with total cash and bank balances amounted to HK\$165.8 million at the year end.

PROSPECTS

Despite the growth of Hong Kong's export, the Financial Budget announced recently has further weakened the consumer confidence. The local economy is subject to another year of deflation pressure. The war in Iraq has caused the volatility of oil prices and stock markets. Geopolitical uncertainties may dampen the global and local economic recovery. Amid the uncertain economic conditions, it is expected that Hong Kong will face another volatile and difficult year. However, with a strong financial position, the Group is confident to meet the difficulties and challenges ahead and is well-positioned to explore new investment opportunities for growth in a cautious and prudent manner.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my sincere appreciation to the management and all of our staff for their dedicated service during the year.

Ning Gaoning

Chairman

26th March, 2003