

I am pleased to present the Group's annual report and audited financial statements for the year ended 31st December 2002. The Group's consolidated turnover and profit attributable to shareholders for the year ended 31st December 2002 amounted to HK\$172 million and HK\$49 million respectively, representing a decrease of 43% and 25% from that of last year. The decrease in turnover is mainly due to the adoption of a more conservative strategy in securities trading and investment business.

BUSINESS REVIEW

Despite the contraction of the average daily turnover of the Hong Kong stock market from HK\$8,025 million to HK\$6,474 million, number of newly listed companies in 2002 substantially increased to 117 from 67 of last year. Benefited from the active IPO activities, we have completed four sponsorships of IPO in 2002 and recorded a remarkable growth in both advisory income and underwriting fee. Our Corporate Finance Division has been granted the FinanceAsia Awards of "The Best Small Cap IPO in 2002" for our outstanding performance in the listing of Harbin Brewery Group Limited. This recognition reinforces our belief in our strategy of assisting the fund raising of quality PRC companies with competent management and great potential of business growth.

2002 is another good year for the automotive industry in China as the sales of motor vehicle is continuing to grow rapidly. Being the leader in the vehicle instruments industry, Zhejiang Shaoxing Betung Instrument Company Limited reported impressive growth in both turnover and profit in the year.

Our subsidiary, Shanghai Zhong Chuang International Container Storage and Transportation Co. Ltd. ("ZCIC") is facing a very keen competition in Shanghai, especially in the container transportation business. Turnover was affected but ZCIC remains profitable in the year.

Goodbaby Child Products Co. Ltd. ("Goodbaby") recorded a steady growth in both turnover and profit attributable to shareholders mainly due to the increase in export sales.

The investee companies of China Assets (Holdings) Ltd. ("China Assets") continue to contribute stable return to China Assets in the year. In addition, the disposal of a toll road brought an additional income to China Assets. The performance of RBI Holdings Limited remains stable in the year.

PROSPECTS

The uncertainties over the economic performance in the United States and the likely continuation of deflation and high unemployment rate will continue to affect the corporate finance and stockbroking business. Despite of all the political and economic uncertainties, our Corporate Finance Division continues to adopt the strategy of seeking small to medium sized PRC companies with good quality to list in Hong Kong. Facing keen competition within the stock brokerage industry, more seminars and other promotion activities will be held to expand our client base.

To improve its profitability, ZCIC is redirecting its resources to the profitable business segments and adopting new procedures to control the cost. After obtaining an air freight forwarding licence in Shanghai, ZCIC is promoting its new service and expected to improve the performance by providing a full range of cargo transportation and freight forwarding services to our clients.

The Group has recently invested RMB35.6 million in a 50% owned joint venture to develop a SOHO type of properties in Shanghai Zhangjiang High-tech Park. Zhangjiang High-tech Park is located at the centre of Pudong that boasts convenient traffic location and superior geographical location. Shanghai's property market is developing healthily and we expect this investment will bring a new source of income to the Group.

The Group is also developing in Kunshan Economy & Technology Development District a four-star hotel which will be managed by Shangri-la. We believe that after the completion of the hotel at the end of 2004, it will bring a reasonable return and a steady cash flow to the Group.

With the accession to the WTO, the PRC economy continues to maintain its rapid growth trend and this will benefit the operation of Goodbaby and China Assets. By way of integrating internal and external resources, and strengthening of the management capability, we aim at improving the consolidated strength and competitiveness of various business segments, so as to ultimately achieve maximum return to the shareholders.

DIVIDEND

The Board recommended a final dividend of HK\$0.01 per share for the year ended 31st December 2002 in the forthcoming Annual General Meeting.

I would like to take this opportunity to express thanks on behalf of the Board to all our clients for their support and to our fellow Directors and staff members for their dedication and contribution.

LAO YUAN YI

Chairman and Managing Director

11th April 2003