

C h a i r m a n ' s S t a t e m e n t

Dear Shareholders

We would like to present the annual report for the year ended 31 March 2003.

Our business, similar to most of other business, depends on the consumer spending which has been fallen since the economic crisis in 1998. These are mainly due to the concerns of Hong Kong people on the dimly job market, dropping of income and weakness in asset pricing. The consumer price index has been dropping for the last 4 years which means that it is an incentive for the consumers to make the purchase only on what they need and at the very last minute which leads to the shrinking of the overall investment in Hong Kong.

Facing the uncertainty, the demand for residential market has been growing smaller despite the abundant supply of new flats. This would drive the property price lower and the number of the owners of the negative equity is getting bigger. The price of the property fell a further 8 % in the first half year of 2003 despite the nine measures announced in November 2002 by the Secretary for Housing, Planning and Lands, which aimed to stabilize the property market in Hong Kong.

We remain cautiously optimistic about the outlook of the economy of the year of 2003 as the rate of unemployment was at record high (8.3% in May 2003) which might be partly caused by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in the second quarter of 2003 in Hong Kong. No doubt, SARS has devastating impacts on the economy of Hong Kong which is now heavily dependant on the service industry (over 85% of GNP of Hong Kong comes from service sector) such as international trade, tourism and retail trade. We believe that with the announcement from World Health Organisation that Hong Kong is no longer an affected area in June this year, situations will change better.

Looking forward, we continue to be of the same view as stated in our previous reports that unless and until the owners of negative equity are no longer an issue in our economy or alternatively we have a new middle class to replace those who are now facing the predicaments of negative equity, it is unlikely that there will be a bounce back of the property market.

2

The Government is visibly in taking initiatives to tackle the prevailing economic problems such as the introduction of the investment immigrants program and the sensible control of the land supply and any other measures which would stabilize the property market. The fruit of such effort is as yet to be seen.

The recent signing of the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and Mainland China will no doubt create new business opportunities for Hong Kong as we are now at least 2 years ahead of other countries under the WTO arrangement albeit the details of the operation aspects of CEPA as yet to be finalized before end of the year of 2003.

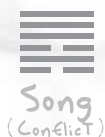
The management believes that the building industry will eventually be on the track of recovery. As mentioned in my last year letter to shareholders, we have repositioned our strength on retail sales and consolidated the project sales and also expanded our business into China Market during the past 2 years.



Xu
(Wait)

Despite the unfavorable economic situation, our retail sales remain solid and constitute approximately 28 % to the total turnover of the Group. During the year, we continue to expand our presence in China, as at June 2003 there were approximately 38 major outlets selling our products. In furtherance emphasis on our China operations, we acquired office premises in Guangzhou with a view to setting up our representative office in Guangdong while our Tianjin office has been in operation since November, 2002. We will examine the business opportunity as may be created by CEPA for our business.

In addition, our experience reveals that many overseas manufacturers including those which we currently represent are technologically superior and of high quality standard, we have always advised them not to push their products in our market without due consideration for the differences in environment, tastes, statutory requirements and use-patterns in our market and any ignorance on their parts on the demand differences will cost their business potential and opportunity. We will work with our principals to identify the preference differences of specifications of their products in our market and to encourage them to supply products which are in line with our market preference.



Song
(Conflict)

"It was the best of times; it was the worst of times". This year we recorded our first operating loss since we became a public group. As with other business, we have experienced the most challenging time in our corporate history as we have all witnessed the deepening adversity in Hong Kong economy, the weakening of Hong Kong dollars and the sudden surge of Euros translates into higher costs of import of products from our principals on one hand, but the deflation in Hong Kong would not allow us to make any adjustment in pricing which would narrow our profit margin on the other hand. This will harden the resolve of the management to accept the challenge of the difficult period we have faced and will be facing ahead. The Group has become more efficient and can serve as a springboard to our future growth and profitability when the transformation of Hong Kong economy to technology/knowledge-based economy has taken some effect.



Shih
(The Army)

Together with all other members of the Board, I would like to express my gratitude to our principals customers and shareholders for their confidence and support in the Group despite the adverse operating environment we have ever experienced.

TSE Sun Fat, Henry

Chairman

17 July 2003



Bi
(Coordination)

