

CHAIRMAN'S STATEMENT

Business review and prospects

Business Review

The overwhelming budgetary deficits on the waning fiscal reserves in Hong Kong, the sluggish economic growth across the western broader, the outbreak of war in the Middle East and the political tension in North Asia, all were concerted to considerably weigh on the already fragile economy in Hong Kong. The bearish sentiment was further dampened during the reported period, pushing the Hang Seng Index tumbled to a 3-year low by the end of March. The catastrophic damages brought about by the SARS epidemic outbreak from April onwards had further pushed the stock market into a new bottom.

For the year ended 31st March, 2003, the Group under such a turmoil was unable to turnaround from its interim and reported a net loss of approximately HK\$27.21 million compared with the net loss of approximately HK\$9.79 million recorded the same period last year while administrative expenses were kept at a reasonable level. On a per share basis, basic loss per share was HK\$0.1104 (2002: HK\$0.0412) and net assets value per share was HK\$0.13 at the balance sheet date (2002: HK\$0.24). The loss enlarged in the reported period was primarily attributed to the consolidation of the Group's investment portfolio as the Group took a strategic change in its investment strategies during the year. A loss of approximately HK\$22.36 million was realized from the disposal of a number of listed securities, even though a gain of approximately HK\$1.11 million was recorded from the disposal of a subsidiary. The Directors, nevertheless, pursued the disposal of these investments after a prudent and careful evaluation of their unfavorable earning outlooks with the current adverse and stagnant investment environment. Part of the proceeds raised from the disposal was used for new investments during the period.

At 31st March, 2003, approximately 55% of the value of the Group's investments was in a portfolio of listed shares and approximately 44% in unlisted investments while the remaining was in the form of cash. The Group had no bank loan at the period end.

Disposal of a Subsidiary

On 28th October, 2002, the Group disposed of 70.02% of the issued share capital of Amplus International Investments Limited ("Amplus") (formerly known as Everest Technology Investments Limited) for a consideration of approximately HK\$13,304,000. After the disposal, Amplus became an associate of the Company.

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Change of Substantial Shareholder

On 25th July, 2002, Taiwan International Capital (HK) Limited ("TIC"), a former substantial shareholder entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Shen Gang Limited ("Shen Gang"), an independent third party. Shen Gang is an investment holding company mainly engages in making investments in the Greater China region. Pursuant to the Sale and Purchase Agreement, TIC agreed to sell all of its interest in the Company, equivalent to 19.29% of the entire issued capital of the Company, to Shen Gang at a cash consideration of HK\$15,343,480. The consideration of approximately HK\$0.32 per share represents a premium of 158% over the closing price per share on 25th July, 2002. The transaction was completed on 7th August, 2002. The Directors confirmed that the change of substantial shareholder as aforesaid would not have any material adverse impact on the operation and investment objectives and policies of the Company.

Employees

As at 31st March, 2003, the Group has employed 7 employees and the total remuneration paid to staff was approximately HK\$1,668,000 during the period under review. The employees were remunerated based on their responsibilities and performance.

Future Prospects

The PRC is seemingly a safe heaven in the current global lackluster economies. The Directors envisage that the PRC economic growth will continue to outpace the world's average in the coming decade, compounded by the prolong influx of international direct investments and the robust power of domestic consumption. Its renowned status of world factory will not be challenged but instead be strengthened with her ongoing pace of economic and capital market modernization. With such a firm perspective, the Directors have decided to recap its investment objectives to be more China focused in order to tap the PRC market and capture any business opportunities arise.

Appreciation

On behalf of the Board of Directors, I would like to thank the Investment Manager and staff for their dedicated efforts during the past year, and look forward to their continue support in future.

Wang Chun Lin

Chairman

Hong Kong, 25th July, 2003