

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present to you the Group's annual report and audited financial statements, for the year ended 30 June 2003.

FINANCIAL RESULTS

The Group recorded a net loss attributable to shareholders of approximately HK\$18.16 million as compared to approximately HK\$4.97 million in the previous year. Turnover increased from HK\$2.89 million in the previous year to approximately HK\$3.50 million this year, representing an increase of around 21%.

DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the year ended 30 June 2003.

OVERVIEW

For the year under review, the general investment environment continued to be difficult. Owing to the economic downturn due to the outbreak of SARS in the early 2003, together with the war in Iraq and tension over potential terrorist attacks in various parts of the world, the Hong Kong economy suffered and weakened.

Under such a difficult environment, the information technology industry encountered severe setbacks. Some IT related projects have difficulties in achieving their business plans. To be prudent, our Board took a strategic step in its investment management by disposing an investment related to the development of a website focusing on providing legal information in the PRC. Our decision was also based substantially upon the effects of China entering into the WTO, whereby information was made readily available on the internet by government bodies. Faced with such competition, the prospect on the investment did not appear to be favorable. To cut further losses, the investment was disposed, realizing a loss of approximately HK\$4.8 million.

In addition, our Board pursued to make a provision of HK\$8.5 million against impairment in the value of investments, of which HK\$5 million was made against an investment engaged in the development and installation of household automated surveillance systems and HK\$3.5 million was made against an investment engaged in website design services. The former investment was faced with certain difficulties with the terms of price, quality for the products delivered and intense competition, and the latter investment remained uncertain with its business prospects. After prudent and careful evaluations, in light of the unfavourable earning outlooks and stagnant investment environment, the Board considered appropriate in making the impairment provision.

EMPLOYEES

As at 30 June 2003, the Group has employed 3 employees. The total remuneration paid to staff was approximately HK\$520,000, during the period under review. The employees were remunerated based on their responsibilities and performance.

FUTURE PROSPECTS

The Directors envisage that the PRC economic growth will continue to be strong and positive, compounded by the prolong influx of international direct investments and the power of its domestic consumption. Having a renowned status of being the world factory, we foresee that we will largely benefit from the areas of manufacturing in the PRC. With investment projects focusing on the production of window frames and medical products, we believe that the future prospects of the manufacturing industries will derive positive and profitable returns to the Group.

The Group is currently at its consolidation process with the objective of minimizing losses arising from unsound investments and strengthening its investments with stable revenue generating power. The Group will continue to invite potential strategic partners and investors to the Group when suitable opportunity arises, in order to strengthen its profitability as well as to enlarge its capital base.

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APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to all of our business partners, shareholders, directors, and staff for their hard work and contributions during the year.

On Behalf of the Board
CHIU KAM HING KATHY
Chairman