Management Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

- Turnover

For the year ended December 31, 2003 total Group turnover decreased by 3.3% to HK$553.2 million (2002: HK$572.4 million). The year, from a domestic Hong Kong standpoint, was not a memorable one. Hong Kong's economy continued in the economic slump and deflation of recent years which has severely affected the retail market and investment sentiment. Additionally, one of the businesses – the motor vehicle business – was badly hit by the hiatus caused by the increase of First Registration Taxes (FRT) first introduced in the March 5, 2003 budget. The FRT was eventually reduced at the end of June 2003, but sales totally stalled for about four months. And lastly, as if the first two factors were not bad enough, Hong Kong suffered an outbreak of Severe Acute Respiratory Syndrome (SARS) which caused panic and significantly disrupted markets and business in the year.

The effect of these factors was to see turnover at the 2003 Interim reporting stage down 9.7% on the same period in 2002. However, there was a recovery in the second half of the year where sales were up 3.5% on the corresponding period in 2002, and this explains why the annual sales for the year were only slightly down on 2002. Nevertheless, the recovery seen in the second half of the year is continuing as we move into 2004.

Sales for most businesses were slightly better, year-on-year with 2002, except for the air conditioning appliances and Hong Kong car audio businesses, where sales were below 2002 by HK$41.8 million (23.4%) and HK$3.8 million (12.7%) respectively.

- Gross profits

Gross profits decreased by HK$19.3 million (-13.8%) over those of 2002 and for the year gross margin was 21.8% on sales compared with 24.4% earned last year. The major reasons for the reduction of 2.6% margin on sales (a maintained margin would have been equivalent to HK$14.6 million gross profit contribution) were firstly the competitive market environment where pricing power was reduced given continued weak consumer sentiment and the deflationary environment. Secondly, the SARS factor severely affected the markets in the first half year. Lastly, the FRT factor affecting motor car sales in the first half year with sales made at prices which showed little or no margin.

- Other revenue, distribution, administration and other operating costs

The total of these items were HK$141.4 million, a 1.0% reduction on the cost incurred in 2002. Costs were contained in most areas, but savings were insufficient to offset the reduction in gross profit contributions. The business costs are generally right-sized now for the various divisional activities although further cost savings will be made in 2004, but the major business objective will be to push for increased revenues and gross margins, in a better and improving market environment.

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- Loss from operations

  Loss from operations for the year is shown at HK$49.4 million (2002: HK$9.1 million). However, it must be noted that if the losses of a capital nature are stripped out – that is losses on disposal or revaluation of properties – the operating loss for the year from business operations was HK$20.7 million (2002: HK$2.9 million loss). More than half of this was attributable to losses incurred in the motor business, in the very unusual and exceptional trading environment it faced in 2003, which will not be repeated in 2004. And the weak market, affected by poor market sentiment and the SARS factor, induced competitive margin conditions affecting all the other businesses, which all managed to limit their losses. Again, these unusual conditions are not expected to be replicated in 2004. Management worked tirelessly to limit the adverse financial impacts throughout the year.

- Loss attributable to shareholders

  The loss attributable to shareholders in the year amounted to HK$84.8 million, compared with a profit last year of HK$6.5 million. However, the loss is in large measure in one-off non-operating charges, which clears-up earlier capital investment issues. As explained, the operating loss for the year – in an exceptionally difficult year – was HK$20.7 million (2002: HK$2.9 million loss). However, the substantial non-recurrent, non-operational losses included loss or deficit on property disposals or revaluations amounting to HK$28.7 million (2002: HK$6.1 million); finance costs HK$10.3 million, almost the same figure as last year; loss on disposal of subsidiaries/associates HK$0.7 million (2002: HK$38.6 million profit); loss recorded by an associated company, neither controlled nor managed by the Group of HK$22.2 million (2002: HK$11.6 million loss); and tax and minority interest charges of HK$2.1 million (2002: HK$1.1 million).

Financial Condition

- Cash flow

  Cash flows from operating activities before working capital movements showed an outflow of HK$16.1 million (2002: inflow of HK$4.6 million). This was an inevitable result of the extremely difficult conditions affecting the domestic market in Hong Kong, for the reasons explained. The loss of business sales activity and reduced gross contributions could not be offset by any significant immediate overhead reductions. The working capital utilisation continued to be tightly controlled, and whereas in 2002 there was increased usage of HK$14.4 million, in 2003 the increase was HK$12.9 million. The biggest business contributor to the outflows, both in operations and in working capital movements compared to last year, was the motor vehicle business where there were outflow deteriorations on operations (HK$12.0 million) and inflow from working capital (HK$6.8 million), compared with last year. These movements in working capital utilisation in particular explain why inventories and trade and other receivables increased by HK$10.7 million and HK$6.9 million respectively.

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Total cash used in operations in the year was HK$28.3 million (2002: HK$12.2 million) whereas total cash generated from investing and financing activities was HK$28.4 million (2002: HK$30.7 million) following the capital raising rights issue in 2003 – a neutral position year-on-year.

- Capital reorganisation, rights issue and bonus issue

On July 24, 2003 the Company announced a rights issue on the basis of two rights shares for every five shares held, with bonus shares issued on the basis of three bonus shares for every fully paid rights share. It was proposed to raise HK$34.1 million, before expenses, and the controlling shareholders and their associates undertook to take up their proportion of the rights issue to avoid dilution, whilst Kingsway SW Securities Limited and an associate of the controlling shareholder, fully underwrote the balance of the rights issue. A circular was issued to shareholders on August 14, 2003. All of the proposals were approved by shareholders in a Special General Meeting held on September 1, 2003 and a prospectus was issued to shareholders on the same day. The net proceeds of the rights issue amounted to HK$32.0 million which were used primarily to repay short-term debt, with the balance of funds providing additional working capital to the Group. The results of the rights issue were very successful and it was announced on September 22, 2003 that the Company received share applications in total amounting to approximately 246.89% of the total number of rights shares available for subscription.

- Liquidity and financial resources

The Group is traditionally financed by resources resulting from the combination of its equity capital base; internal cash flows generated by operations; and bank borrowings involving both short and longer term maturities.

The Group continued to meet its bank and other liabilities upon due dates and the position of actual bank loans and overdrafts at balance date amounted to HK$90.0 million (2002: HK$77.1 million). However, because banks generally in Hong Kong continue to be cautious in their lending policies to businesses, the Group, in common with other similar commercial enterprises in Hong Kong, was confronted with the need to operate business on restricted overall bank facilities. Amounts of cash generated both from operations and financing activities, were used to pay down debt, which at times adversely affected operations by restricting levels of business activity and the ability of businesses to take advantage of incremental sales and particularly at the time of peak seasonal trading. Total bank borrowings (net of bank balances and cash) as a percentage of total shareholders' funds, was 28.2% (2002: 20.0%).

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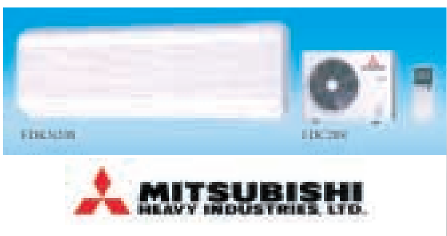
At December 31, 2003 cash and bank deposits amounted to HK$16.1 million (2002: HK$14.4 million). The Group balance sheet at the financial year end 2003 showed a positive balance of net current assets of HK$51.1 million (2002: 67.3 million). Effective current asset management is essential to Group operations, such that the key management ratios continue to show satisfactory positions including, inter-alia: debtor collections averaging 27 days (2002: 21 days); inventory turn at 90 days (2002: 81 days); and overall short-term net debt gearing ratio at 23.2% (2002: 19.1%), with total net debt gearing ratio at 77.9% (2002: 68.1%).

An integral part of the Group's risk management policy, is to hedge foreign currency transactions to eliminate adverse currency movements on indent sales, in the normal course of business. At December 31, 2003 the total outstanding foreign exchange contracts purchased with banks amounted to HK$9 million (2002: HK$44 million).

The Group had bank financing facilities amounting to HK$155.6 million at December 31, 2003 (2002: HK$166.2 million), all based on best lending rates, and mainly secured by assets of the Group. The Group had no contingent liabilities at December 31, 2003 (2002: nil).

Business Reviews



"Mitsubishi Heavy Industries" products & logo

- Air-conditioning products

The business consists of marketing and distribution of the range of products from Mitsubishi Heavy Industries of Japan ("MHI") for which the Group holds exclusive distribution rights for Hong Kong, Singapore and Macau (all products) and the mainland China markets. MHI provides a full range of air-conditioning products both for the packaged commercial systems and the consumer markets. Similarly, the Group also markets and distributes a wide range of commercial and consumer air-conditioning products supplied under the "LG" brand ("LG Electronics Inc" of Korea). Both are pre-eminent global brands. The Group also provides after-sales service and support to its customers.

The Group is the sole distributor in Hong Kong and Macau for the range of air-conditioning products from "Galanz", a leading Chinese electrical appliances brand. Also in 2003 the Group provided a full range of room and commercial air-conditioning products under the brand name "GREE-Bodysonic" for the Hong Kong market.

"Galanz" products & logo

Total sales to third party customers at HK$137.1 million showed a significant 23.4% decrease when compared with HK$178.9 million recorded in FY2002.

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In Hong Kong in 2003, the domestic economy continued to be in a slump with low consumer confidence. The severe SARS outbreak, particularly in the March to June period affecting both Hong Kong and the mainland China market, coincided with the peak-selling season of the air-conditioning business and really depressed sales of all products. Many private and public projects and tenders were either cancelled or postponed. The increasingly competitively priced China produced and branded products are creating competition for imported global branded products which become more difficult to market in China.

"LG" products & logo

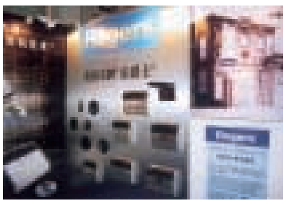
However, on the positive side of the market, undoubtedly there was a change in investment sentiment and consumer confidence which began late in the second half of the year. It was too late to affect the traditional air-conditioning and appliance products selling season, which ends in any volume sense at the end of the third quarter, but is strongly being seen in the early months of 2004. Gross margins were maintained despite the weakening US dollar, affecting the HK dollar linked exchange rates particularly against the Japanese yen. The continued focus of sales efforts on the commercial product ranges is successful, achieving higher margins and stable sales. The switch of the source of domestic split-type air-conditioners from Thailand to China, by "MHI", has also increased price competitiveness and allowed a maintained market share. "LG" products, being very price competitive and given increasing brand awareness, have done well and achieved substantial penetration in the project segment of the market. The "GREE-Bodysonic" products did well in the first year in Hong Kong given competitive pricing and increasing product range. It augues well for good growth in 2004 and beyond.

Operational efficiencies continued to be made and lower costs were achieved through streamlined organization in warehousing and after-sales service. Working capital was tightly controlled with year end inventories showing a 3.5 times turn for the year, and net trade debtors being only an average 33 days of sales in the year. Whilst total gross margins were only reduced by 0.2% of sales, that reduction allied to much lower sales volumes given the peculiar market conditions of 2003, meant that the business remained profitable but at much reduced levels from 2002.

Looking to 2004, management believes the air-conditioning products market will continue to be very competitive. However, undoubtedly, there is a revival of consumer confidence and property development is increasing again. Both will provide for a much improved demand in the year, well above 2003. However, the continued strengthening of the Japanese Yen will put upward pressure on product supply costs from Japan, thus squeezing margins. The China market will provide continued growth in demand. The Group continues its focus on the commercial product sector to allow higher margins with less competition from China made product given less comprehensive commercial products available.

Management Discussion and Analysis of Results of Operations and Financial Condition

- Audio-visual and other electrical products



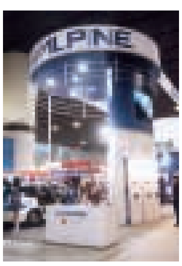
Exhibition of "Rogers" products

The audio-visual business is largely focused upon marketing and distribution of a range of products developed for the Group's own brands of "Rogers" (from the UK) and "Bodysonic" (from Japan). From May 2003 distribution of "Sansui" branded products in Hong Kong and Macau commenced. "Sansui" is a well recognized 50 year old AV brand from Japan and products include TV; VCD; DVD hi-fi systems; mini-hi-fi systems; and Plasma TV. This business segment also includes sales from "LG" branded domestic electrical appliance products, as well as sales of car audio and electronic products. The car audio and electronics business consists of marketing and distribution of car-audio products largely under the "Alpine" brand (from Japan) which is one of the top brands in global markets, together with products developed under the Group's own "Rogers" brand of car speakers and power amplifiers. Products are distributed in Hong Kong, Macau, Singapore, Malaysia and China.

GREE 格力
BODYSONIC

Gree-Bodysonic products & logo

Total sales increased a modest 5.5% compared with FY2002, to HK$121.9 million, despite sluggish domestic markets. The audio-visual products sector of the business remains extremely competitive especially given the range of innovative products offered to the market; the constantly reducing market pricing; and gross margins are narrow. Sales were stimulated by a successful launch of the "Rogers" DVD recorder machine. The international markets for "Rogers" and "Bodysonic" products were expanded to Australia, New Zealand, Taiwan, Indonesia, India, Brunei and Korea. Sales of "LG" domestic appliances were also good with sales of refrigerators up 1.9% over last year whilst sales of washing machines were same as last year. Distribution channels were expanded and sales and promotional campaigns were organised in a cost effective manner to achieve these increased sales. Operational efficiencies and cost controls were effective with the result that the good sales recorded satisfactorily increased profit contributions.



Exhibition of "Alpine" products

Total sales in the car audio business for the year were HK$60.1 million, which was an HK$2.3 million 3.9% increase over FY2002. The regional markets for the sales of automobiles, with the exception of the mainland China, were sluggish. There was intense competition in car-audio products with new product innovations, and pricing and margins were affected. However, given the good support of "Alpine", management aggressively marketed the products and solid sales growth was achieved, including notably significant increased OEM business in Singapore, with satisfactory increases in profit contributions.

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Looking at 2004, the consumer audio-visual market will still be highly competitive. However, the economic outlook in the market has improved and particularly active is the Plasma and LCD TV market and home theatre products. Given the introduction of competitive and new products (in Plasma and LCD TV; DVD recorders; and speakers); increased distribution efforts and particularly in the markets of Hong Kong, mainland China, Singapore and Malaysia; the further development of international markets; increased promotional activity; and the increasing brand awareness of "Rogers" and "Bodysonic", will all be positive for this business sector and further sales growth is expected.

In FY2004, "Alpine" continues to offer exciting competitive products with car navigation, audio and audio-visual features, which are targeted at the growing larger cabin vehicle sector. "Alpine" is also a leader in products featuring integrated entertainment and navigation systems and these will stimulate sales once this technology becomes available in the markets we serve. More new products under the "Rogers" brand will be introduced and particularly be targeted at Malaysia, Singapore and other Asian markets. The business is forecasting continued growth in sales in 2004.

- Direct marketing

A "Mega Warehouse" retail outlet

This business involves direct retailing in consumer electronic and electrical products, in the Hong Kong market under "Mega Warehouse" branded outlets.

Sales to customers in the year were 7.5% higher than those of FY2002 despite the very competitive market with lack of pricing power in the face of the sluggish economic environment exacerbated by the SARS epidemic which severely curtailed retail spending for at least one-third of the year. The business has been refocused. The chain-store type strategy to cover Hong Kong, Kowloon and the New Territories, on a cost effective basis, was implemented and in the year there were a total of 8 shops strategically placed throughout Hong Kong. "Mega Warehouse" has successfully positioned itself as one of the major electrical appliance retail chain stores in Hong Kong. To differentiate the merchandising mix of the company, new merchandising channels to import competitive AV and electrical appliance products directly from China was successfully established. The business model is based upon competitive warehouse retail concepts with regular promotional and key product category sales, to provide value-for-money products to customers.

This strategy is increasing business levels and other sales and marketing efforts in the year developed clear customer acceptance of the "Mega Warehouse" chain. The marketing efforts include regular consumer promotions; direct mail programmes; regular grand clearance sales; and promotional publicity for the "Mega Warehouse" brand. Despite the weak retail environment, there is latent consumer demand for products

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providing innovation and value for money. "Mega Warehouse" outlets are becoming recognised for providing these values. Other sales support features include "Mega Warehouse" Master Card to build loyalty and customer affinity and payment-by-installment finance. Plans for FY2004 are set against the background of an improving retail environment in Hong Kong, but which will also remain competitive. There is increasing demand for AV and electrical appliances given a stimulated property market. Business developments will include improved sales and inventory systems; appropriate expansion of the retail network; consolidation of certain retail locations; a wider range of product categories to be offered; increased marketing and promotion efforts; and even sales outlets in mainland China through possible co-operative arrangements. All of these activities will be undertaken cautiously, with a view to increasing sales, utilisation of cost and capital efficiencies, and forecasts are for both sales to increase by double digits and with profit contributions to be achieved.

- Motor vehicle and car accessories distribution

New 612 Scaglictti "Ferrari" model

The business is the marketing, sales and parts supply and after-sales servicing of the "Ferrari" and "Maserati" vehicle franchises. The Group is the sole distributor for these two unique premier sports marques in Hong Kong, Macau and mainland China.

Total sales for the year were HK$226.2 million which was a 5.3% increase compared with the sales achieved in FY2002. However, the first six months of the year were disrupted with the hiatus brought to the luxury car segment of the market caused by the large increase proposed to the top rate of first registration tax ("FRT") announced in the Budget in early March 2003 (up from a 60% rate). The market for luxury cars came to a complete stop. Any cars that were sold were at no profit with special pricing in order to reduce inventories and turn cash flow in the business. Fortunately, a lobbying campaign by the motor trade in Hong Kong was successful in reducing the penal rate of tax proposed, from the top rate of 150% to 100%, but nevertheless the FRT rates applicable to the luxury car sector still increased from a flat rate of 60%, to a progressive rate system up to 100%. The new rates were confirmed in June and whilst the market improved in the second half of the year, an element of the sales revenue increase reflects a higher FRT tax in the vehicle sales price. Another feature of the unit sales this year, is that sales of left hand drive (LHD) units to China was more than treble that of last year.

"Ferrari" continues to be the premium sports car available in the world today and demand for the models generally outstrips supply. Demand for the "Ferrari" entire model range was good. In June 2003 a major event was staged to launch the new limited edition Ferrari model the "Enzo Ferrari". The 9 units allocated to this market (a very high percentage level for the market) saw 4 deliveries in 2003 with the balance due for 2004 delivery.

"Enzo Ferrari"

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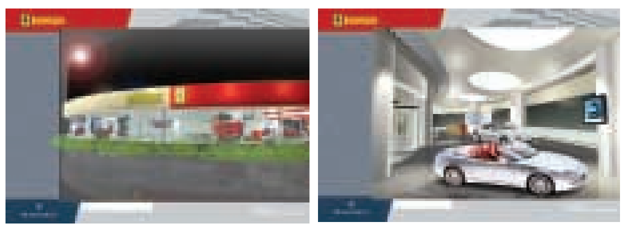
New Quattroporte "Maserati" model

The "Maserati" marque enjoys improving brand awareness in Hong Kong and mainland China and unit deliveries increased in FY2003 despite the declining market. In October 2003, the new "Maserati" Quattroporte (the four door model) was launched in Beijing, which was followed by a series of pre-launch activities in Hong Kong. The official launch will take place in Hong Kong in mid 2004, with delivery to customers. It is an exciting car already well reviewed by the world's car journals and media. The product line-up therefore, for both marques, is very strong and increased total unit sales are forecast for FY2004. The passenger car sales market of Hong Kong has been in decline since 2000 when 27,000 cars were sold, to the 18,000 cars which were sold in 2003. The Hong Kong traders are forecasting a recovery in 2004 to around 22,000 cars, a 22% increase.

However, the vehicle market in mainland China has continued to show remarkable growth and has attracted all major global brands to that market, with all volume car manufacturers now into production in China. For the unique luxury premium sports models that are "Ferrari" and "Maserati", production is not a likely option. Strong growth of imports of premium passengers cars since two years ago is expected to continue with lowering tariff to 25% by 2006 and elimination of import permit requirement in 2005, fueled by an increasing desire of such luxurious cars. The Group has developed the market for "Ferrari" cars since 1993 and in October 2003 a major promotional event was staged in Beijing to celebrate the 10th anniversary of sales of "Ferrari" in China.


"Ferrari" "Maserati" showroom-Shanghai

There is, however, a need to concentrate on development of the China market, which could become in a relatively short time a very significant market for "Ferrari" and "Maserati" cars, such that it certainly could become the biggest market for them in Asia. In order to do this, significant resources will need to be committed to the market in terms of sales and distribution, management and finance. This also means that the Ferrari Group has to commit meaningful production volumes to this market and by so doing, in an unique global market situation where manufactured car volumes are less than global demand, it would need to reallocate more resources and cars to the China market.

In order to have a combined push to capitalize on this valuable market opportunity, an equity joint-venture agreement was signed in late March. This will create an exclusive importership arrangement which will guarantee sufficient cars to develop the mainland China market; will provide management of the sales, marketing, parts and service support, to the dealer network to be developed; will provide resources to increase the brand awareness for both the "Ferrari" and "Maserati" brands to increase vehicle sales and especially for the "Maserati" marque. This venture will have the equity provided as to 40% by Ferrari Group of Italy; 30% by our Group in Hong Kong; and 30% by the Poly Technologies, Inc. from Beijing. The detailed business plans are already in place for market development for the first three years, and business volumes are set to grow substantially year-on-year from FY2004 to FY2006.

- The Singaporean and Malaysian markets

The Group has had, for many years, marketing and distribution businesses based in Singapore and also Kuala Lumpur, for the Malaysian market. These have been right-sized to ensure recurrent profitability. In 2003 the Singapore operations consisted of "MHI" air-conditioning products and the distribution of car audio products (principally "Alpine" brand, but also now including some products offered under the "Rogers" brand) and home audio products (principally the "Marantz", "Rogers" brands). With the business being more focused on its markets and given success in securing additional OEM business for car audio products, and also achieving steady sales growth in the home audio market in difficult market conditions, it is pleasing to record the continued sales growth and operating profits achieved by Singapore. Total sales grew modestly 3.9% to HK$56.2 million (2002: HK$54.1 million) and a satisfactory operating profit was earned.

In Malaysia, the operation having been right-sized in 2002 and the office relocated to Petaling Jaya to trim costs, also showed a consistent result. The Malaysian economy did reasonably well in 2003, and whilst the business is now focused on car audio products (mainly "Alpine" brand) and home audio visual products ("Marantz" and "Rogers" brands), it benefits from market and product concentration. Sales in 2003 grew 17.3% over 2002 and the business recorded a 32.8% profit growth compared to 2002.

The combined operations in Singapore and Malaysia are forecast to do well in 2004 with satisfactory sales and profitability.

- Joint-venture manufacturing business
(Jin Ling Electrical Company Limited – "JLE")

The "JLE Factory" in Jiangmen

JLE is a joint-venture between Jiangmen Washing Machine Factory and the Group, with each party owning a 50% interest. The business is engaged in designing and manufacturing washing machines mainly under the "Jinling" brand for sale in the PRC, but also as an Original Equipment Manufacturer ("OEM") presently for customers in Africa, Latin America and South East Asia. The Group does not exercise any day-to-day control in management of the business.

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The business had a difficult sales year facing a very competitive domestic market both for own brand distribution and OEM business. Sales fell by RMB 47.8 million (-9.9%) to RMB 436.3 million (2002: RMB 484.1 million). Export sales accounted for 37.5% of total sales (2002: 33.6%). Gross profit margins were under pressure with significant increases in raw material and component costs which could not be offset by product price increases in a competitive environment for this product sector. Gross margins fell by 4.2% of sales compared with the previous year. This was a reduction in profit contribution on the reduced sales level, of RMB 18.3 million. The recorded loss for the year was RMB 47.1 million. This included an exceptional provision of RMB 17.0 million prudently made against long outstanding balances of accounts receivable. The overall loss for the business for the year was RMB 47.1 million and the Group's share of results of associates was accordingly HK$22.2 million, up from the HK$11.6 million loss recorded in 2002. The net book value of this business at balance date is HK$92.0 million. Bearing in mind the losses of the recent two consecutive years, the Group is seriously reviewing its options with this business, which could involve taking a controlling equity stake and an active management role in order to turn-around the business. Any such arrangement would seek to eliminate any debt risk and would be undertaken in order to ensure significantly improved results; a return to profitability; and an enhancement in the value of the business.

Personnel

At the year end 2003, the total number of employees of the Group, excluding associates, was 365 (the comparable number last year was 361 people). Following the painful measures taken in recent years including closure, disposal or consolidation of certain business units; implementation of a 55 years of age retirement scheme; and reduction in remuneration packages; the Group had a stable year from a personnel standpoint. The year for the business was difficult, because of unusual market conditions, but there were no further radical changes in personnel policies or staffing levels in the year.

The Group knows the importance of its employees and despite the previous measures taken in earlier years to reduce costs, it has been fortunate to retain a core staff of loyal, experienced and dedicated people. Productivity and morale continue to be enhanced steadily with organisational improvements. The management team has remained stable and committed throughout the year.

Prospects

Each business faced challenging markets for its products in 2003. However, in the last quarter of last year there was a marked improvement in the economic sentiment in Hong Kong and other regional markets, and this lead to expectation of recovery and undoubtedly year-on-year improvements in sales achieved were recorded in the last months of 2003.

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The management plan for the businesses for 2004 calls for double digit growth in sales; increased gross profit contributions through generally maintained or improved margins in most businesses; and given tight control of overheads and operating costs, management are cautiously optimistic that the operating results should show a great improvement. There remain some balance sheet issues still to be resolved in terms of long-term debt and reduction of investment in the property portfolio which is unduly high in a Group involved in trading and marketing. However, some properties have already been sold or committed for sale in early 2004, with losses or provisions already having been booked or provided. Also the main Wo Kee Hong industrial building is currently up for sale by tender, in the improving Hong Kong property market.

The Group has a long history and an established name and reputation in its markets which it cherishes. It is a market leader in marketing and distribution of consumer products in Hong Kong, Macau, mainland China and certain other markets in South East Asia. The actions management has taken in recent years on costs and financing with the rationalisation measures and strategic positioning in each business, should facilitate and stimulate future profitable growth in a market environment which is expanding. The Group can look more positively at opportunities for growth in its core marketing and distribution business.

Barry John Buttifant
Adviser to the Board

Hong Kong, April 14, 2004