

Chairman's Statement

I am pleased to present the Group's annual report and audited financial statements for the year ended 31st December 2003. The Group's consolidated turnover and profit attributable to shareholders for the year ended 31st December 2003 amounted to HK\$281 million and HK\$94 million respectively, representing an increase in 64% and 90% from that of last year.

BUSINESS REVIEW

The year of 2003 is a remarkable year for the Company. As expected, the Hong Kong economy is recovering from the worst situation during the SARS outbreak in the first half of the year. After the signing of the Closer Economic Partnership Arrangement with Chinese Mainland, improvement in market sentiment came in the third quarter and became more evident by the hectic IPO activities at the end of the year. The expansion in our brokerage team and the enlargement of the Group's investment portfolios have just grasped the upturn in Hong Kong stock market and made a substantive contribution to the Group's profit.

Facing the keen competition, Shanghai Zhong Chuang International Container Storage and Transportation Co. Ltd. ("ZCIC") is restructuring its existing businesses and strengthening its management team to cope with the market changes. Due to the increase in administration cost for restructuring and the lessening in profit margin, ZCIC suffered a loss in 2003.

During the year, China Assets (Holdings) Ltd. ("China Assets") disposed of its interest in certain investment projects and recorded a remarkable profit of approximately USD10 million.

Goodbaby Child Products Co. Ltd. ("Goodbaby") maintained its leading position in the industry and continues to contribute stable return to the Group.

RBI Holdings Ltd ("RBI") was affected by the high material costs in the year. However, this negative factor was compensated by the enhancement in efficiency and RBI managed to maintain its gross profit margin. Due to additional provision for possible loss from non-recoverable debts, RBI recorded a slightly drop in profit.

The automotive industry in Chinese Mainland achieved a new record in output and sales of motor vehicles in 2003. Chinese Mainland has become the third largest country in terms of sales of motor vehicles in the world. Benefited from the increase in the market demand, Zhejiang Shaoxing Betung Instrument Company Limited ("Betung") experienced impressive growth in both turnover and operating profit in the year. With the confidence that the autopart industry in China will continue to growth in future, we have acquired an additional 32% interest in Betung in December 2003.

The litigation for recovery of the deposit of HK\$22.3 million paid by the Group for purchase of an office premises in Lippo Centre was settled out of court and the Group received HK\$9 million in June 2003. The deposit paid had been fully provided in 1998.

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PROSPECTS

Hong Kong economy is on its way to recovery. Low interest rate environment and rapid economic growth in Chinese Mainland are favourable factors to attract the inflow of international funds to Hong Kong stock market. We are optimistic that the Group's financial services operation will be benefited by these factors and generate a reasonable growth in 2004.

After divestment of certain existing investments, China Assets will focus on seeking new investment opportunities in a few selected value-added industries to achieve higher returns in future.

The development of SOHO type properties in Shanghai Zhangjiang High-tech Park is in a good progress. As scheduled, part of the properties will be completed in 2004. The development of a hotel in Kunshan Economy & Technology Development District is within schedule.

Benefiting from relatively strong economic growth in Chinese Mainland, we believe that Goodbaby and Betung will still perform well in 2004. To improve the performance in 2004, ZCIC will make good efforts to strengthen its efficiency and to reduce its operating cost.

DIVIDEND

The Board recommended a final dividend of HK\$0.012 per share for the year ended 31st December 2003 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

13th April 2004