

On behalf of the board of directors of the Company and its subsidiaries (the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December, 2003.

BUSINESS REVIEW

In the environment with keen competition of PRC property market, the Group continues to adopt an aggressive marketing and sales strategy in maintaining the Group's leadership position in the region. The Group has achieved a good level of turnover of HK\$69.0 million which represents 95.6% of that of last year despite the impact of the outbreak of Severe Acute Respiratory Syndrome during the year. Most of the sales of the year were attributable to Telford Garden in Buji, Shenzhen, representing 80.8% of turnover for the year whereas those attributable to Rivera Garden and Elegance Garden in Zhangmutou represented 7.8% and 4.6% respectively. Property rental income amounted to 6.3% of the turnover. In addition to making a promising profitable gross margin of 43.9% which reflected the rise of property market in Shenzhen for the year, the Group has achieved profit from operations amounting to HK\$5.5 million.

The cash generated from operations amounted to HK\$14.1 million (2002: HK\$37.9 million) for the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to enforce the conservative financial policy during the year. As at 31 December, 2003, the Group recorded net current assets of HK\$6.0 million (2002: net current liabilities of HK\$38.4 million), shareholders equity HK\$285.1 million (2002: HK\$342.5 million), total assets HK\$456.8 million (2002: HK\$611.1 million) and total bank loans and borrowings HK\$64.5 million (2002: HK\$103.1 million) with the gearing ratio (total liabilities to total assets) of 38% (2002: 44%). In addition, the Group had cash and bank balances of HK\$2.0 million (2002: HK\$27.5 million).

EMPLOYEES

As at 31 December, 2003, the total number of employees for the Group was 78; and the staff cost for the year amounted to HK\$4.5 million. The Group emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Besides provident fund scheme, discretionary bonus and employee share options are also awarded to employees having regard to the results of the Group and the individual performance of employees.

PROSPECTS

The property market in Shenzhen has undergone a fast robust growth during the year 2003 as reflected in the increase of gross profit margin during the year and it has been forecast that the growth will be continued in the years ahead. In view of this and the established leading position in carrying on property development in PRC, the Group is well positioned to capitalize the growth of the property market in achieving the growth of the Group. Currently, the Group is still in the process of development of luxurious residential complex of Telford Castle (formerly known as Prince Dragon Garden) with site area of 48,146 square metres, gross floor area of 124,000 square metres on Long Road land lot in Buji, Shenzhen which will bring promising returns to the Group following the current star of Telford Garden.

Chairman's Statement

DISPOSAL OF SUBSIDIARY

During the year, the Group disposed of 100% interest in Chintex Gas Co. Ltd. ("Chintex"), the subsidiary holding 75% interest in Sino Richest Ltd. ("Sino Richest") which holds 80% interest in a sino-foreign equity joint venture 重慶市溢億萬盛燃氣有限公司 ("the joint venture") due to the fact that the China party of the joint venture failed to perform their obligations of capital injection under the joint venture agreement. As such, Sino Richest had also not made its capital injection. The Company had tried to source new partner but was unable to find a suitable partner to carry on the Chongqing gas pipeline business. The Group incurred a loss of HK\$41.0 million on the said disposal. For details, please refer to Note 27 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers accounted for less than 5% of the turnover of the Group for the year.

Purchases from the five largest suppliers accounted for approximately 80% of the total purchases of the Group for the year and purchases from the Group's largest supplier accounted for approximately 48% of the Group's total purchases for the year.

To the knowledge of the directors, none of the directors, their associates or any shareholders who to the knowledge of the directors owns more than 5% of the Company's share capital had any beneficial interest in the Group's five largest suppliers.

APPRECIATION

On behalf of the Board, I would like to extend our wholehearted gratitude to the Group's employees for their dedication and efforts in servicing the Group for the year as well as to our customers, suppliers, bankers and shareholders for their continued valuable support.

Tsang Wai Lun, Wayland

Chairman

Hong Kong 19 April, 2004