

BUSINESS REVIEW

The Group's turnover in the year amounted to around HK\$44.82 million. Compared last year, there was a substantial increase by an amount of around HK\$40.69 million, which was a more than a nine-fold increase. Securities and futures activities had generated to the Group a turnover of around HK\$7.2 million. On investment in shares, forex and futures, the Group secured profit of around HK\$37.46 million.

The Group recorded a net profit of around HK\$19.88 million for the year. The Group turned around from a net loss position of last year to current year's profitable position. Following the cessation of production of computer-aided-design systems and machinery in year 2000, the stock was subsequently sold. The inventory of raw materials, work-in-progress and finished goods has been fully provided as obsolete stock in the previous years. The total provision and written off amounted to around HK\$5.87 million.

In April 2002, the Group completed the acquisition of 100% shareholding of a company, which indirectly held 39.2% interest for development rights in a piece of land at Chaoyang district in Beijing. The consideration was HK\$195 million. The balance 60.8% interest was acquired by the Group in March 2004. The total purchase price is HK\$300 million, which was satisfied by the issue of convertible notes. Before 30 April 2004, the convertible note holders converted all notes to the Company's shares in accordance with terms of the convertible notes. As at 20 May 2004, the issued share capital of the Company is around HK\$553.93 million.

To further diversify the Group's businesses, the Group acquired 95% shareholding of a securities broker company and a futures broker company in May 2003. The total consideration was around HK\$22.73 million.

For better preparing the Group for an international environment and institutional investors, the Group has adopted International Financial Reporting Standards in its financial statements preparation with effect from this year. This change did not have any impact on the profit and net asset value of the Group. As at 31 March 2004, the Group's net assets amounted to around HK\$651.45 million.

As at 31 March 2004, the Group did not have any bank loan. The liquidity of fund was maintained at healthy level. Fund at banks and in hand aggregated to about HK\$83.98 million. Compared with 31 March 2003, it increased by about HK\$64.07 million. Amongst this, around HK\$37.98 million was from placing taken place in the year. To strengthen the Group's cash flow and to make funds available for investment opportunities in the future, the Company raised fund of about HK\$37.98 million from the stock market by placing 323 million of the Company's shares to independent third parties. The placing was completed in July 2003. In addition, the Company completed the top-up placing and subscription of 473 million shares in January 2004. Shinning Crown Holdings Inc. ("Shinning Crown") placed 473 million shares to independent third parties. The same number of new shares is issued to Shinning Crown. This brought a net cash inflow of around HK\$55.49 million to the Company.

CHAIRMAN'S STATEMENT

With effect from 7 November 2003, Louis Leung & Partners CPA Limited resigned from office of auditors of the Group. From 24 November 2003, KPMG was appointed as the auditors and their office will continue until the next Annual General Meeting.

Prospects

In first half year of 2003, the War in Iraq and Severe Acute Respiratory Syndrome ("SARS") attacked the global economy. With the completion of the Iraq War and SARS under control, the operating environments became stabilized in second half year of the year.

Hong Kong and the Mainland signed Closer Economic Partnership Arrangement ("CEPA") in July 2003. Soon, China implemented the "individual visit" scheme, lifted maximum limit of foreign currency that mainlanders can bring to Hong Kong and allowed bankers of Hong Kong to operate four types of RMB businesses. These made Hong Kong's economy recover quickly. In addition, China and Hong Kong Governments determined to construct a bridge linking "Hong Kong, ZhuHai and Macau". Traffic flows as well as economies will be greatly fostered. In November 2003, Hong Kong Stock Exchange set up its office in Beijing. The financial status of Hong Kong could further be firmly developed in Mainland China.

With recovery of Hong Kong's economy and introduction of aforementioned measures and initiatives, the Group's securities and futures businesses will prosper further. At the same time, the Group is capturing the confronting opportunities to explore Hong Kong and China estate markets so as to invest in potential properties projects. The Group will also continue its efforts to develop other businesses such as retailing and trading.

Land in the Chaoyang area of Beijing is located along Dong San Huan. It is next to central business district and the Beijing light rail project site. The location is superior and the traffic flow is good. The Group plans to build on it a multi-purpose commercial complex with commercials, offices and hotel.

The Group, positioning itself in Hong Kong and China will have its performance largely related to macro climate of China and Hong Kong. Looking ahead, China is one of the countries that is boosting in economic growth. The other favourable factors include China's accession to World Trade Organisation ("WTO"), Beijing's successfully bid for 2008 Olympic Games, Shanghai's winning to hold 2010 World Exposition and the under construction of the Main Theme Park of Disney in Hong Kong. The Group is confident with its mid-term and long-term development. The Group will take full advantage of China's numerous opportunities during the persistently growing economy. Based on its present foundation, the Group will review its strategy from time to time so as to diversify its businesses when opportunities arise and bring in fruitful returns for shareholders.

WONG Kwong Yu

Chairman

Hong Kong, 20 May 2004