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The Group's turnover in the leather business for the last financial year had increased to 34% in comparing with the previous year. However, the operating cost had also been increased due to keen competition in the leather industry. The Group has recorded an amount of HK\$490,000 net loss but when compare with the net loss of HK\$16 million for the previous year, there was an improvement of approximately 97%.

The Board and the management aim at diversifying our business and investment so as to enhance the growth and revenue. During the year, the Group has commenced to diversify its business into the healthcare and medical sectors by acquiring the business in relation to medical instruments and health products both in Hong Kong and China. As some of the said investments were made through issues of new shares, the capital base has been enlarged; it will no doubt be advantageous to the future development of the Group.

Meanwhile Mr. Lee Sam Yuen, John, the controlling shareholder of the Company, had placed and sold the entire equity interests but remains as the Executive Director of the Company to oversee the leather-related business. In view of Mr. Lee's rich experience in the leather industry, he will continue to maintain his great contribution to the leather business of the Group.

The Board had invited number of new members whom are professionals with extensive experience in various fields such as legal, finance, investment and healthcare industry that will establish the sound foundation for the business diversification and future development of the Group. The Board and the management will make every endeavour to fight for the most favourable investment return for the shareholders and we are confident of our abilities to face this new challenge.

I would like to take this opportunity to act on behalf of the Group to express my sincere gratitude to our diligent and loyal employees for their dedicated services.

Wong Kwan

Chairman

Hong Kong, 26 July 2004