

Business review and prospects

Business Review

With the support from the Central Government introduction of Closer Economic Partnership Arrangement ("CEPA") and the relaxation of mainland visitors to Hong Kong, the outlook for both the economy and market have seem to be improved since the July of last year but remains a challenging year for 2004 to us. The Group has continued to consolidate the investment portfolio objective of minimising losses arising from unsound investments and strengthening its investments with stable revenue generating power. The cash position has been increased effectively and the Board of Directors will take precautionary measure and will be most selective in examining investment opportunities presented from time to time.

For the year ended 31st March, 2004, our total revenue showed a favourable improvement against the loss to which the Group had succumbed one year earlier. This better performance was due mainly to higher revenue derived from disposal of trading securities, as well as, from unrealised holding gains on trading securities. The Group was able to improve from its reported net loss of approximately HK\$10.61 million compared with the net loss of approximately HK\$27.21 million recorded in the same period last year while provision against the other receivables was amounted to approximately HK\$4.113 million. The administrative expenses were kept at a reasonable lower level, a decrease of more than HK\$1.26 million as a result of stringent control over administration costs and expenses. On a per share basis, basic loss per share was HK\$0.0375 (2003: HK\$0.1104) and net assets value per share was HK\$0.08 at the balance sheet date (2003: HK\$0.13).

The loss decreased in the reported period was primarily attributed to efforts being made by the Group's investment portfolio in last two years. The major losses were recorded from the disposal of an associate of approximately HK\$2.196 million as well as approximately HK\$1.048 million loss on disposal of investment in certain listed securities. The Directors, nevertheless, pursued the disposal of these investments after a prudent and careful evaluation of their unfavourable earning outlooks with the current adverse and stagnant investment environment. Part of the proceeds raised from the disposal was used for new investments during the period.

At 31st March, 2004, approximately 19% of the value of the Group's investments was in a portfolio of listed shares and approximately 18% in unlisted investments while the remaining was in the form of cash and convertible bond. The Group had no bank loan at the period end.

CHAIRMAN'S STATEMENT

Disposal of an Associate

On 28th October, 2002, the Group disposed of 70.02% of the issued share capital of Amplus International Investments Limited ("Amplus") for a consideration of approximately HK\$13,304,000. After the disposal, Amplus became an associate of the Company and during the year ended 31st March, 2004, the associate had issued convertible bond with face value of HK\$3,080,000 to the Group as consideration for redemption of all its issued share capital held by the Group.

Employees

As at 31st March, 2004, the Group has employed 5 employees and the total remuneration paid to staff was approximately HK\$614,000 during the period under review. The employees were remunerated based on their responsibilities and performance.

Future Prospects

Looking forward, following the implementation of more stringent rules, regulations and corporate governance in Hong Kong's capital market and the closer economic ties with PRC, we feel that the local economy will not deviate from this path of recovery. The Directors envisage more favorable investment opportunities would arise in both Hong Kong and PRC, as the PRC economic growth will continue to outpace the world's average in the coming decade. With such a firm perspective, the Directors will endeavor to seek out growth areas in the market worthy of investing for better returns.

Appreciation

The Board welcomed the appointment of new Directors, Ms. Wang Annie, Mr. Li Jian Wei, Mr. Li Man Nang and Wang Tianye with their professional expertise, the Group believes that their endeavors will continue to help the Group achieve greater accomplishments in the years ahead.

The Board would like to take this opportunity to express its gratitude to our former fellow Directors, Company Secretary and Investment Manager for their contribution and support to the Group.

On behalf of the Board of Directors, I thank the management team and our staff for their continued and dedicated efforts and wish to offer as well our sincere appreciation to our Investment Manager, bankers and shareholders for their support during the year.

Wang Chun Lin

Chairman

Hong Kong, 29th July, 2004