

Chairman's Statement

I am pleased to present the Group's annual report and audited accounts for the year ended 31st December 2004. The Group's consolidated turnover and profit attributable to shareholders for the year ended 31st December 2004 amounted to HK\$588 million and HK\$80 million respectively.

BUSINESS REVIEW

For the year ended 31st December 2004, the Group's turnover grew to HK\$588 million when compared to HK\$281 million of 2003. This reflected the consolidation of the eleven months' results of Zhejiang Shaoxing Betung Instrument Company Limited and Zhejiang Shaohong Instrument Company Limited (collectively "Betung"). Following the acquisition of an additional equity interest in Betung in December 2003, Betung became subsidiaries of the Group and its turnover and profit are consolidated to the Group's accounts since then. In December 2004, the Group disposed of 51.8% equity interest in Betung to a third party and still holds 30% interest in Betung. Since then, Betung are treated as associated companies of the Group.

The low interest rate environment in Hong Kong, the implementation of Individual Visit Scheme and closer economic ties with Chinese Mainland have led to a gradual recovery in Hong Kong's economy and market sentiment in 2004. The commission income from brokerage and underwriting increased over 25% from that of 2003 in line with the increase in turnover of Hong Kong main board market. The business of corporate finance and stockbroking achieved significant contributions to the Group's turnover and operating profit.

Phase one of the development of SOHO type properties in Shanghai High-tech Park was completed in 2004. A small portion of the properties was sold with reasonable profit before the year end.

In common with many industrial manufacturing businesses, the profit margin of both Goodbaby Child Products Company Limited ("Goodbaby") and RBI Holdings Limited ("RBI") has been negatively affected by increased global commodity prices for key raw materials such as plastic and steel. During the year, Goodbaby recorded a healthy growth in turnover which partially setoff the negative effect of raw material prices. However, a client of Goodbaby has made a filing under Chapter 11 of US federal bankruptcy laws in 2004 and Goodbaby made a provision of RMB21,000,000 for the amount due from this client. Although RBI obtained a moderate growth in turnover, profit for the year was decreased by 39%. It is because most of RBI's sales order in 2004 were concluded in the first half of the year, only a comparatively small portion of sales orders could be concluded at better selling price.

During the year, KongZhong Corporation, one of the investments of China Assets (Holdings) Ltd. ("China Assets"), has listed its shares on the Nasdaq National Market in the US. China Assets recorded a substantial gain of approximately US\$32 million from this investment of which US\$29 million represented an unrealized gain on listed investment. It had made a provision for impairment in value of investment in Shandong Lukang Pharmaceutical Company Limited of US\$9.8 million in 2004.

During the year, Shanghai Zhong Chuang International Container Storage and Transportation Co. Ltd. ("ZCIC") was restructuring its existing businesses and a new management team has joined the company in the second half year. Due to the increase in administration cost and certain provisions were made during the restructuring process, ZCIC suffered a loss in 2004.

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PROSPECTS

2005 is a challenging year. Our Corporate Finance Division continues to adopt the strategy of seeking small to medium sized PRC companies with good quality to list in Hong Kong. To maintain the growth in recent years, our Brokerage Division plans to recruit more good quality staff and research analysts to provide better services and research reports to meet the increasing demand from the clients.

After divestment of certain investments in recent years, China Assets is seeking new investment opportunities in a few selected value-added industries to achieve higher returns. In January 2005, China Assets has signed commitment letter with a third party in respect of a proposed investment in a property fund in Chinese Mainland.

To offset the effect of increase in cost of raw materials, both RBI and Goodbaby have implemented measures to control their other production costs. They will also try to shift part of the burden to their customers.

The development of SOHO type properties in Shanghai Zhangjiang High-tech Park is in a good progress. As scheduled, the first phase of the properties project was completed in 2004. The second phase is expected to be completed in late 2005. The development of a hotel in Kunshan Economy & Technology Development District is within schedule and will commence business by the end of 2005. We believe that both projects will provide reasonable returns to the Group.

ZCIC is now led by its new management team who are very experienced in the logistics business. ZCIC will put most of its efforts to expand the air freight forwarding business and it has built up business relationship with many airline companies. We expect such changes will bring a new opportunity to ZCIC.

The Group is now seeking investment opportunities in the pharmaceutical industry and has preliminary intention to invest in a Chinese company which produces therapeutic proteins with markets mainly in Chinese Mainland. In view of the rising importance of China to the global economy, we strongly believe the Group's experience in investment in Chinese Mainland will enhance the performance of the Group in forthcoming years.

DIVIDEND

The Board recommended a final dividend of HK\$0.01 per share for the year ended 31st December 2004 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

18th April 2005