

RESULTS

For the year ended 31 December 2003, the Group recorded a loss of HK\$11,808,000 which was mainly attributable to the impairment losses totalling HK\$8,800,000 in relation to the unlisted equity investment in the People's Republic of China ("PRC") and the investments in certain unlisted convertible loan notes and a loss of HK\$1,014,000 on disposal of listed investments on The Stock Exchange of Hong Kong Limited.

BUSINESS REVIEW AND PROSPECTS

Sadly, another un-spectacular year for shareholders. Directors and management offer no excuses for their responsibilities, or the lack of such. It certainly is not satisfactory for shareholders that the Group was not perceived as proactive in optimising its listed status as a Chapter 21 "Investment Vehicle". That would defeat the very purpose for which the Group was created in July 1998. Neither should the Board be complacent that 2003 was an unusual year, with the adverse effect from Severe Acute Respiratory Syndrome and other infectious diseases dragging down the economies of Hong Kong and Region. It is imperative that the Board must draw on such lessons and experiences.

As at 31 December 2003, 100% in value of the Group's investment was represented by an equity interest in a building materials manufacturing company in the PRC. All the investments in convertible loan notes have been fully provided for. Subsequent to the year end on 16 April 2004, the Group disposed all of its investments in convertible loan notes to third parties for a nominal sum of HK\$1 each. The Group's investment portfolio was financed by shareholders' funds of HK\$12,344,000. The Group's cash and bank balances were HK\$3,106,000. Consolidated net asset value per share of the Company was HK\$0.09.

A detailed description of the Group's investment portfolio is set out on pages 60 to 65.

In March 2004, the Company raised net proceeds of approximately HK\$3,370,000 following the placement of 28,800,000 new shares under General Mandate to independent investors. The proceeds will be used as additional general working capital. The directors are satisfied that given the cash and liquid assets on hand the Group has sufficient financial resources to meet its ongoing operational requirements in the near term.

Environment

Hong Kong is now placed advantageously in the macro and co-ordinated economic development of the Greater Pearl River Delta Region. Significant policy steps such as CEPA, Individual Travel Scheme etc have been taken by the Central Chinese Government and the Hong Kong Special Administrative Region Government to integrate Hong Kong with the economic dynamics of southern China. All such implemented policies will favourably enhance the Region's overall competitiveness vis-a-vis the rest of the world, and give impetus for business entities to usher in global investments.

At the corporate level, this Chapter 21 company should be a platform for unlimited horizons, striving to alliance appealing investment projects with capital and finance longing for such opportunities.

Philosophy

In previous years, the Group's investment approach has always been prudent. But according to the past track record prudence for the sake of prudence may not be the ideal philosophy to adopt. Consideration of an investment project must be viewed against its circumstantial time and space context. Indeed, convergence of such will distinguish an investment project at the right time and place.

Policy

However, the Group must be able to manage changes in order to keep pace with the evolving macro environment in the Region. To be pragmatically effective, consequential challenges emerging would have to be managed, including: macro events, investment projects, competent human resources and funding avenues. The Group will not succeed if it loses sight of those challenges.

2004 will be a year of significant changes in the regulatory framework focusing on corporate governance. The Board is determined to ride on this rising tide to bring the Group's standard of compliance to a level respected by and attractive to both private and institutional investors.

The Group's immediate attention is to enrich the portfolio of investment projects, to re-set criteria for such consideration, and to apply these to the number of projects being looked at. This is the bread and butter of any Chapter 21 company, and the Group will re-organise itself to excel, including the recruitment of competent personnel, and the creation of avenues for funds.

Share Liquidity

Since December 2003, trading in the Group's shares have never been more liquid, including the successful placement of new shares in March 2004 under General Mandate. Such share interest will stimulate the Group to embark on more ambitious platforms.

Board

As the Group is being re-structured and re-organised in terms of share holding, investment portfolio, corresponding Board personalities with the right qualifications have been attracted to help the Group navigate the challenging path ahead.

Outlook

The Group survived 2003, and the prospects are to revive and thrive in 2004; on the strength of revised investment policies, fresh funding sources, and competent human resources.

TERMINATION AND APPOINTMENT OF INVESTMENT MANAGER

The Group entered into an agreement with Haywood Investment Management Limited on 4 March 2004, whereby both parties have conditionally agreed to terminate the investment management agreement dated 6 July 1998. On the same day, the Group appointed Altus Capital Limited to provide investment management services until 30 December 2005, but this new appointment is subject to the approval from The Stock Exchange of Hong Kong Limited.

As a complement to the Group's management team, Altus' diversified track record in the Region would enrich the Group's portfolio.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all staff for their hard work during the past challenging year and the transitional period. I look forward to their continued support in years ahead.

Wong Fong Kim

Chairman

Hong Kong, 28 April 2004