On behalf of the Board of Directors, I am pleased to present to you the Group's annual report and audited financial statements, for the year ended March 31, 2004.

Financial Results

The Group recorded a net profit attributed to shareholders of approximately HK$11.6 million for the year.

Business review

For the year under review, the outbreak of the severe acute respiratory syndrome ("SARS") at the beginning of the year did abate the consumer confidence and the investment sentiment. In the second half of the year, the general investment environment continued to rebound swiftly after SARS had been overcome.

The Hang Seng Index climbed from 8,634 to 12,682 as at our year end, an increase of approximately 47% when compared with the beginning of our financial year. The boom of the securities market was mainly due to growing global economy and robust economic development in Mainland China.

The war in Iraq, tension and terrorist attacks in various parts of the world together with the attacks on Iraqi oil export terminals, added political uncertainties. Uncertain political environment in Iraq imposed pressure on the crude oil price. The stock market was under influence of these uncertainties.

Perhaps it was unfortunate that the Group's investee companies did not fall into categories that have benefited from favourable policies such as Closer Economic Partnership Arrangement ("CEPA"), Individual Travel Scheme etc implemented by the Central Chinese Government to help Hong Kong, after the economy was adversely affected by SARS and other infectious diseases.

Although it is appropriate to make a provision of HK$200,000 against impairment in the value of investment in such company, the Board will review its investment and divestment policies, and to take decisive action at the most favourable opportunities.

Prospects

The Group's business prospects are invariably rooted in the macro environment of China as it affects Hong Kong.

One policy which will benefit the Group is the Pan-Pearl River Delta Agreement which effectively establishes a Common Market covering the nine southwestern provinces and the two SARs of Hong Kong and Macau. This market represents some 30% of the Chinese population.

However, the State policy to cool down the over-heated economy is seemingly less favourable to the Group. Although the Group has no investment in those industries most badly affected, there will still be no general escape from the effects of rising production cost stems such as raw material, fuel energy etc as they affect China.

The pilot scheme permitting PRC residents to visit the territory on an individual basis will continue to play a major role in boosting the tourist-related industries.

After the implementation of CEPA since the beginning of year 2004 and the Pan- Pearl River Delta agreement create a closer integration with the Mainland which allows Hong Kong taking the advantages of robust economy in the PRC.

With deflationary pressure diminishing and employment situation recuperating consumer confidence of the locals should continue to improve, which in turn would lead to further recovery of our economy and the stock market. The satisfactory bidding price in the recent land auctions showed a great confidence in the Hong Kong economy in the coming future.

However, at the opening of the second session of the 10th National People's congress on March 5, Premier Wen Jiabao pointed out that there were excessively broad scale of investment, serious problems of over-heated investment, technical laggards and over-capacity, redundant construction in some industries and region. In particular, the buoyant automobile and property markets boosted substantially investments not only in these industries, but also in related raw material industry like aluminum, cement and steel. Then the Chinese government has adopted a number of measures in an effort to cool down the overheated economy.

It is not certain the market reaction towards the subsequent cooling measures of credit policies and administrative mechanisms. Harsh macroeconomic controls by the PRC may lead to a hard landing rather than soft landing of the economy.

Another problem is the shortage of electricity supply which have now spread to 21 provinces in China, is one of the major problem that will hinder the operating results of those manufacturers situated there.

For the local economy, the government expects a GDP growth of 6% which we consider to be achievable given no unforeseeable political or natural disaster incidents occur. The extension of the Individual Travel Scheme to Hong Kong to more provinces will also boost over retail and hospitality industry.

Looking ahead, concerns over interest rate increase in the US and the PRC, high oil price, slowing down of the economic growth in the US and a cooling off China's economy all lead to a cautious investment sentiment. Moves in other major stock markets such as the Wall Street will also have a great impact on our securities market.

Philosophy

The Group's business philosophy may be due for some changes, following the implementation of more stringent rules and regulations governing the formation of new Chapter 21 Investment Vehicles, of which the Group is one. This would however, mean that competition from new entrants is unlikely. Market players will still be limited to fewer than 20 such companies.

Hopefully, the immediate prospects would be more investment items trying to attract the Group's interest, and more funds routing their investment through investment vehicles. It will be against such background, and drawing reference from the couple of top performing investment vehicles, that the Group's investment policies will be formulated.

Dividend Policy

The Board will soon consider a clear dividend policy. After all, shareholders are justified in their expectations for a reasonable return on investment. Such policy should also embrace methodology to appreciate share value and enhance share liquidity.

Financial review

Liquidity and financial resources

As at March 31, 2004, the Group had bank balances and cash of HK$1,276,005 (2003: HK$1,586,533). The Board believe that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

As at March 31, 2004, part of listed equity securities of the Group and the Company had been pledged to secure margin facilities and loans granted by a related company.

Capital structure

There has been no change to the capital structure of the Company since April 1, 2003.

Capital commitment and contingent liabilities

As at March 31, 2004, the Group had no material capital commitment and contingent liabilities.

Foreign currency fluctuation

The Board believe that the foreign exchange risk is minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

Employment

As at March 31, 2004, the Group employed a total of 5 employees, including the executive directors of the Company.

Share options

The Company does not have share option scheme.

Appreciation

The Board would like to take this opportunity to extend our sincere thanks and express appreciation to those who have supported us during the year.

Li Kwok Cheung, George
Executive Director

Hong Kong, July 7, 2004