

The Company is an investment company listed under Chapter 21 of the Listing Rules and is principally engaged in investment in listed and unlisted companies in Hong Kong and in the PRC. There was no change in the nature of the Company's principal activity during the year. As at 31st December 2004, the total market value of the Company's trading securities amounted to HK\$47,000 and investment securities amounted to HK\$9,417,000.

The Board considered that it is appropriate for the Company to retain financial resources at present to enable it to seize new and attractive investment opportunities as and when they arise. Therefore, the Board has resolved not to recommend the payment of dividend.

BUSINESS REVIEW

The Group's investment portfolio as at 31st December, 2004 remained largely unchanged from that disclosed in the Group 2003 Annual Report. During the financial year under review, the Company subscribed for approximately 9.1% equity interest of a company based in Hong Kong principally involved in the insurance brokerage business for a consideration of HK\$3,063,720 in May 2004, and the Company subscribed for approximately 25% equity interest of a company based in Hong Kong principally involved in the trading of flooring materials for a total consideration of HK\$500,000 in October 2004.

As at 31st December, 2004 about 0.50% (2003: 0.54%) in value of the Group's investment portfolio was constituted by investments in Hong Kong listed securities, and the remaining 99.50% (2003: 99.45%) was represented by equity interests in unlisted companies in the PRC and Hong Kong. The Group's investment portfolio was mainly financed by Shareholders' funds of HK\$11,090,000.

FINANCIAL REVIEW

For the financial year ended 31st December, 2004, the Group recorded a loss of HK\$7,107,000 (2003: HK\$11,808,000) which was mainly attributable to the impairment losses totaling HK\$3,808,000 and administrative expenses of HK\$3,443,000 incurred during the year under review. The impairment losses were in relation to a further provision made in respect of the unlisted equity investment in the People's Republic of China ("PRC") and the investment in unlisted company principally involved in the insurance brokerage business operated in Hong Kong which has ceased operation on or around December 2004. The result represent an improvement of approximately 39.81% as compared to the loss of HK\$11,808,000 for the last financial year ended 31st December, 2003. The Group's turnover for the financial year ended 31st December, 2004 represented interest income.

The net asset value ("NAV") per share of the Company was HK\$0.14 as at 31st December, 2004, after adjusting for the effect of consolidating every five then existing ordinary shares of HK\$0.01 par value each into two new ordinary shares of HK\$0.025 par value each (the "Share Consolidation") subsequent to the balance sheet date.

Chairman Statement

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a healthy balance sheet. As at 31st December, 2004, the Group had good liquidity and no long-term borrowings. The Group's cash at bank and pledged deposit amounted to approximately HK\$1,040,000 (2003: HK\$3,106,000) which accounted for 34.71% (2003: 94.64%) of the Group's total current assets. The Board believes that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

CAPITAL STRUCTURE

On 29th March, 2004, the Company raised net proceeds of approximately HK\$3,408,000 following the placement of 28,800,000 new Shares ("Placing Shares") through a placing agent, to more than six independent investors. The net proceeds from the placement have been used as additional working capital of the Company.

On 4th August, 2004, the Company raised further net proceeds of approximately of HK\$2,451,000 from a new allotment and issuance of 27,200,000 new Shares under the general mandate granted by Shareholders on 1st June, 2004 to an independent subscriber.

Subsequent to the financial year ended 31st December, 2004, the Company has conducted the following corporate exercises duly approved at the extraordinary general meeting held on 17th March, 2005:—

1. Increase in authorized share capital from HK\$2,000,000 divided into 200,000,000 shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 by the creation of an additional 800,000,000 unissued shares of HK\$0.01 each;
2. Share Consolidation and to change the board lot size for trading in the ordinary shares in the capital of the Company from 2,000 Shares to 20,000 New Shares; and
3. Open offer for 80,000,000 New Shares of HK\$0.025 at a price of HK\$0.065 per Offer Share, on the basis of one Offer Share for every New Shares held on the record date ("Open Offer"). The Open Offer, which was underwritten by Underwriters, was completed on 18 April 2005.

The Board considers that the Open Offer provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position under the current favourable market sentiment. In addition, since the Open Offer will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Open Offer.

The estimated net proceeds from the Open Offer of approximately HK\$4.5 million will be used for future investment purposes which will be invested in accordance with the Company's investment policy of investing in listed and unlisted companies in Hong Kong and the PRC to achieve medium term capital appreciation.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

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

FOREIGN CURRENCY FLUCTUATION

The Group has a number of investment projects in the PRC and may be subjected to a certain degree of investment return risk. In spite of this, the Board believes that foreign-exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

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

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 these challenges.

2005 will be a year of significant challenge 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

Chairman Statement

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

Trading in the Group's shares are now become more liquid, including the successful completed placement and subscription of new shares, and the Open Offer for 80,000,000 Offer Shares. 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 2004, and the prospects are to revive and thrive in 2005; on the strength of revised investment policies, fresh funding sources, and competent human resources.

Given the remaining unutilized net proceeds raised and other liquid assets on hand, the Directors are satisfied that the Group has sufficient financial resources to meet its ongoing operational requirements.

PROSPECTS

In 2005, the Company will continue to identify and pursue investment opportunities in Hong Kong and the PRC in accordance with the Company's investment objectives and policies.

The remarkable economic growth in the PRC is expected to continue in the coming years. Direct foreign investments in the PRC will also be strong and positive. The Board believes that Hong Kong can take advantage of the booming economy of the PRC to sustain a strong rebound of domestic economy in the coming years. The Company will closely monitor its underlying investment portfolio and make further investments and/or divestments to capture the opportunities arising from Hong Kong and/ or the PRC. The Company is also considering to invest in property leasing business and is now locating luxurious residential properties and offices in Hong Kong which can generate stable revenue.

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 the years ahead.

On behalf of the Board

Wong Fong Kim

Chairman

Hong Kong, 26 April 2005