



MARKET REVIEW

I am pleased to report to the shareholders that, despite the very difficult operating conditions during the financial year of 2003/2004 under review, Karl Thomson Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) achieved solid improvement in its operating performance. Profit attributable to shareholders for the year ended 31 March 2004 after provisions reached HK\$8,148,000, compared with a net loss of HK\$42,731,000 for the year ended 31 March 2003. The turnaround in the Group’s operating performance and progress on various fronts were driven mainly by its commitment to focus on effective cost control measures while enhancing its service quality amid weak investment sentiment and fierce competition.

During the first half of the fiscal year, the severe acute respiratory syndromes (the “SARS”), the outbreak of the Iraqi War and the continuous downturn of the property market further dampened the weak investment sentiment. Following the improvement of the global business environment in the second half of the year under review, the export of Hong Kong has improved by double digits. At the same time, the Hong Kong government repositioned its housing policy. As a result, the burden of the home-owners with negative equities has been eased due to the fact that the property market showed a sign of turnaround and a steady growth. Moreover, under the “Individual Travel Scheme”, the number of tourists from the Mainland has substantially increased which resulted in the rapid recovery of the retailing business, easing the deflationary pressure and the reduction of the unemployment rate. Tourism and external trade have propelled Hong Kong’s economic recovery this year and contributed to the boost of market confidence. Along with the introduction of the Closer Economic Partnership Arrangement (the “CEPA”) and the Pan-Pearl River Delta regional development project (the “PPRD”), local enterprises enjoy greater and speedier access to Mainland and new business opportunities are brought about. Mainland enterprises not only treat Hong Kong as a major base to finance overseas but explore and develop the international market with the aid of Hong Kong’s experience and relationship gained from international exposure. On the other hand, foreign investors also take advantage of Hong Kong’s strategic location as a gateway for investment in Mainland. The economic growth in the Mainland had reached 7% per annum for consecutive years. However, the benefits gained by listed enterprises have not been fully reflected in the stock price. The economy and investment sentiment in Hong Kong recovered in the second half of 2003 mirroring the above-mentioned factors and market activities reactivated as a result.

主席報告

本人欣然向股東報告，儘管於回顧之二零零三年／二零零四年之經營環境十分艱難，高信集團控股有限公司（「本公司」，連同其附屬公司統稱「本集團」）的經營表現仍能取得實質進展。截至二零零四年三月三十一日止年度之股東應佔溢利（扣除撥備後）為8,148,000港元，而截至二零零三年三月三十一日止年度錄得虧損淨額42,731,000港元。轉虧為盈標誌著本集團在投資市場氣氛疲弱及行業競爭劇烈之環境下，仍能成功透過有效控制經營成本，提升服務質素，致使期內集團整體經營表現獲得顯著改善，在多項業務領域上均取得良好進步。

於回顧期內本地經濟初期因非典型肺炎、美伊戰爭爆發導至本港物業市道繼續下滑，投資信心跌至谷底。隨著下半年環球營商環境之利好因素，出口增長達到雙位數字。港府調整房屋政策令物業市道回穩，紓緩負資產業主困境；同時自由行政策出台令來港遊客大增，本地零售消費服務業迅速復甦，通縮收窄及失業率改善。外貿及旅遊業成為年內推動香港經濟步向復甦的雙頭馬車，提升市場信心。本港與內地簽署更緊密經貿安排，配合泛珠三角區域發展項目，亦為本地企業加快進入內地拓展業務帶來新商機，內地企業亦利用香港作為對外融資的主要市場，更借助香港的國際經驗及關係開展國際業務。另一方面，外地投資者亦把握香港的有利地理位置作為投資內地的跳板，由於國內連續多年經濟增長達到百份之七或以上，上市企業受惠於國內經濟增長卻未有在股價上充份反映，香港經濟及投資信心終於在二零零三年下半年開始逐步反映以上種種有利因素而回復上升，股票市場亦因而恢復生氣。



The return of confidence during the period was also evidenced by the resuming resilience in the stock market for most of the year. The benchmark Hang Seng Index soared by 68.7% from its trough of 8,331 on 25 April 2003 during the SARS outbreak to a 3-year high of 14,058 on 1 March 2004 with notably sharp increase in market turnover. Average daily turnover on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") rose by 109.7% to HK\$12 billion during the period under review. Total market capitalization rose by 68.5% to HK\$5.7 trillion. New IPOs fund-raising activities has also contributed to the acceleration in volume by an increase of 52.2% over the previous year to reach HK\$73 billion. H-shares Index shrugged off from 2,016.66 on 24 April 2003 and skyrocketed by 169.8% to a 6 1/2-year high of 5,440 on 5 January 2004.

OUTLOOK

The implementation of macroeconomic and credit-tightening policies since last September by the Central Government through raising banker's reserve requirements and cracking down on lending and investment in over-invested sectors have created uncertainties among investors about China's short-term economic outlook. The strong rally in the stock market that lasted for 11 months halted. Additionally, the oil crisis sparked off by political turmoil in Iraq, the escalating terrorist activities and conflicts among leading economies on various trade related issues as well as the raising of FED fund rate by 0.25% on 30 June 2004 created more uncertainties with spill-over impact on major stock markets amid the still fragile economic recovery. Market correction is therefore unavoidable.

Nevertheless, the macroeconomic and credit-tightening policies are seen as cooling-down measures to rein the world's fastest growing economy to pave the way for healthy and sustainable long-term growth. The signing of CEPA resulted in a closer integration between the local economy and Mainland. Because of this, Hong Kong is seen as gateway to investment in China. Hong Kong has been a renowned capital formation centre for China in the past decade. Given our international investment management expertise, we will play a key role for China's fund management industry. The local marketplace is anticipating for the granting of Greenlight on Qualified Domestic Institutional Investors and the city is well-positioned to be a preferred market to attract institutional funds from Mainland under a series of positive factors in expectation. The Group is confident the flow of foreign and mainland investment into Hong Kong will protect the market from a sharp slowdown in the medium term. With the pricing-in of interest rate hikes and intact earnings prospect, a more sustainable rally is expected in the second half of the year.

恒生指數於年內，從非典型肺炎爆發期間於二零零三年四月二十五日錄得之低位8,331點，攀升68.7%至二零零四年三月一日重見三年高位之14,058點水平，股市交投顯著急升。於回顧期間，香港聯合交易所有限公司（「聯交所」）之平均每日交投量大幅攀升109.7%至120億港元。總市值增加68.5%至5.7萬億港元。新股集資活動較去年急升52.2%至730億港元，為市場交投量上升提供力量。中資股氣勢如虹，H股指數更從二零零三年四月二十四日2,016點低位，上衝169.79%至二零零四年一月五日之5,440點，創六年半之新高。

前景

中央政府自去年九月透過提高存款準備金及以打擊個別過度投資行業借貸及擴張為目標所實施的宏觀調控及信貸緊縮政策，導致內地經濟短觀前景的不確定性，並構成投資者短期隱憂，致使股市經過連續十一個月的大幅攀升後顯得無以為繼。另一方面，伊拉克政局動盪所引發之石油危機、恐怖活動升級，經濟大國在多項貿易相關事項上發生的糾紛所構成之不明朗因素，再加上聯邦儲備局於二零零四年六月三十日增加聯邦基金利率四分之一厘，對仍未全面穩健地復甦之經濟造成困擾，市場無可避免地出現調整。

然而，宏觀調控及信貸緊縮政策被認同作為這個全球增長最快經濟體系日後的健康及長期可持續發展而鋪路的適度降溫措施。更緊密經貿安排之簽署，令本地經濟與內地建立更緊密之聯繫。外商亦視香港為投資國內之橋頭堡。過去十年以來，香港在作為中國的集資中心角色表現一貫出色，我們具備國際視野及擁有專業投資管理經驗，有利於在國內發展基金管理行業領域上參演重要角色。本地市場正熱切憧憬連串包括合資格境內機構投資者獲開綠燈等預期中的正面因素，進一步加強香港市場對內地機構性投資者的吸引力。中期而言，本集團有信心，自海外及內地的資金將繼續為本地市場護航，以抵銷進一步下滑的風險。此外，隨著息口上升因素已在市場反映，企業盈利增長前景轉趨穩健，下半年的復甦動力將可帶來持續性。



We expect deflation, which has plagued Hong Kong since November 1998, to end in the third quarter. According to studies conducted by the Securities and Futures Commission (the "SFC"), Asia remained the primary destination for the asset management industry, fuelled by robust capital inflow. Total assets which made up of asset management, advisory and private banking activities soared to HK\$2.95 trillion in 2003 from HK\$1.64 trillion in 2002, representing a jump of 80%. Market survey reviewed that manufacturers from capital-intensive industries are actively considering relocating part of their operations to Hong Kong in a bid to capitalize on the zero-tariff regime under the CEPA.

Hong Kong's winning role as a world-class financial and trade hub in Asia for enterprises is attributed to its mature legal system and international exposure. Foreseeing this promising trend accompanying with tremendous investment opportunities in various with good prospects, the future growth and development of our securities broking, corporate finance and financial advisory service is warranted.

Looking ahead, the Group is poised to take a long-term approach towards further strengthening its market position and expanding its business network in the Greater China Region via diversification of investment products and enhancement of service quality. We are working our way through fierce competition to excel our industrial counterparts and becoming a major local market participant. The Group will continue to explore investment opportunities to add value for its shareholders. The management will also excise vigilance in detecting and preventing possible abusive practices, and are expected to put in place effective risk control measures to safeguard clients' interests.

APPRECIATION

I would like to thank my fellow directors for their guidance and support. My appreciation is also extended to our management team and diligent staff for their vital role in achieving the corporate goal. I also wish to thank my customers and shareholders for their continued support.

On behalf of the Board
LAM KWOK HING
Chairman
Hong Kong, 19 July 2004

吾等預期，自九八年十一月一直困擾香港的通縮問題亦有望於今年第三季結束。根據證券及期貨事務監察委員會（「證監會」）研究資料顯示，在資金仍滔滔流入的趨勢下，亞洲地區已成為基金業投資首要目的地。涵蓋資產管理、顧問服務及私人銀行業務總資產自二零零二年1.64萬億元增加至二零零三年之2.95萬億港元，增幅達80%。市場調查顯示，資金密集型行業亦積極考慮把營運部門移船就壩，來港爭取並把握更緊密經貿安排下零關稅帶來的商機。

建基於成熟而完善的法律制度，本地市場得以面向國際，有利鞏固其作為亞洲區內具備國際級水平的金融貿易樞紐之地位。有見及此，樂觀的發展趨勢伴隨充滿商機及前景的投資機會，證券經紀、企業融資及財務顧問服務業的未來增長與發展可續看好。

展望未來，集團已為鞏固及提升市場地位，於內地及台灣開拓核心業務網絡，並擴展多元化產品及提升服務水平的長期發展策略準備就緒，務求在同行激烈的競爭環境中突圍，爭取成為本地市場其中主要參與者之一。本集團並會繼續尋找不同類型的理想投資項目，致力為各股東之資產增值。管理層亦將時刻保持警覺，偵測及避免任何可能發生之舞弊行為，以保障客戶的利益。

致謝

本人謹此感謝董事之領導及支持。本人亦謹此感謝管理層團隊及勤奮之員工在達致企業目標時扮演重要角色，及對客戶及股東之不斷支持作出衷心致謝。

代表董事會
藍國慶
主席
香港，二零零四年七月十九日