

Management's Statement

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, 2001.

Financial results

The Group recorded a net loss attributable to shareholders of HK\$25,172,043 for the year.

Business review

The year under review was a very difficult year for the securities investment. The dot.com bubble burst in second quarter of 2000 with the NASDAQ index was approximately 64% below its peak. The global stock market was also being affected by other negative factors, such as the unstable Middle East and rising oil prices, which led to many global investors became worried about the risk of a global recession. As a result, most of the major stock markets tumbled.

Hong Kong stock market is not exceptional. During the year under review, investors in Hong Kong shares have discounted a significantly lower earnings expectation. Concerns over the extent to which the investment slowdown will affect consumption which reflected in the steady falls in price earning ratio to the level that persisted in 1994 and 1995. It fell especially heavy in March 2001 with the Hang Seng Index losing more than 2000 points during that month. For the 12-month period ended March 31, 2001, it tumbled approximately 30% from its historical record high of 18,302 on March 28, 2000 to 12,761. The Hong Kong Growth Enterprise Market Index was approximately 69% below its base point of 1000 on the base date of March 17, 2000.

Prospects

Five rate cuts with an aggregate of 2.5% up to date of this report by the US Federal Reserve since January 2001 led to rally in the stock global markets and the NASDAQ. Expectation of further rate cut by 100 base points during 2001 should ultimately help to improve the sentiment of the stock markets.

Having discount for the worst at the current valuation, investors may push valuations towards a higher band as the investors revised their expectations upward.

Hong Kong is forecast to benefit from further rate cuts and strong economic growth in China when China enters into the World Trade Organisation. After our financial year end, China related stocks have led the rebound of the Hong Kong stock market. Looking ahead, falling interest rate will inject liquidity into the local stock market. With ample liquidity, any good news or improvements in the major global stock markets may lead to a significant rebound in our stock market.

Appreciation

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

Li Kwok Cheung, George

Executive Director

Hong Kong, June 8, 2001