

Chairman's Statement

RESULTS

The Group's has narrowed its loss for the year ended 31 March 2002 to HK\$45,101,000 (15 months ended 31 March 2001 : HK\$198,439,000) while loss per share was HK41.5 cents compared with HK182.6 cents for the 15 months ended 31 March 2001. The improved results were mainly due to the significantly reduced loss from the trading of securities and the absence of holding loss on listed investments.

DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the year (15 months ended 31 March 2001 : Nil).

BUSINESS REVIEW

Property Investment

Despite the continuous decline of the Hong Kong economy, the Group's investment properties continue to provide a steady gross rental income. However due to the poor sentiment in the property market, a write-down in the value of the Group's investment properties portfolio amounted to HK\$24,254,000 was required for the year ended 31 March 2002 (15 months ended 31 March 2001 : HK\$16,346,000).

Securities Trading

The securities trading business suffered a disappointing year. The adverse condition of world markets was worsened by the terrorist attacks on the United States of America (the US) on 11 September 2001. The Group recorded a loss in securities trading of HK\$39,253,000 for the year (15 months ended 31 March 2001 : HK\$52,410,000).

Due to the uncertain outlook of the stock market, the Group has significantly reduced its securities holding during the year to minimise the risk of further decline in value.

General

In view of the decline in business, the Group has successfully controlled its administrative and other operating expenses. As a result administrative expenses and other operating expenses has decreased by 54% and 55% respectively.

LIQUIDITY AND FINANCING

During the year the Group's net cash inflow from operating activities was HK\$87,601,000 compared with a net outflow of HK\$198,725,000 for the 15 months ended 31 March 2001. With the significant cash generated, the Group was able to reduce its bank borrowings by approximately HK\$70 million.

In order to further improve the Group's financial strength, a new bank loan was arranged after the year ended 31 March 2002 to replace the bank borrowings of approximately HK\$30 million. The new loan raised was secured by certain of the Group's investment properties. With this new arrangement, the Group was able to avoid the reliance on short term financing while a majority of assets are non-current in nature.

Chairman's Statement *(continued)*

PROSPECT

As the economic outlook is uncertain, the Group will adopt a very prudent approach in the evaluation of any short-term or long-term investment opportunities that may arise. The Group will also maintain its investment properties that provide a steady source of income.

With the recovery of the US market expecting in the near future, the world economy is also expected to pick-up. The Group will closely observe the change in economic conditions and adjust its business strategy on the same pace.

Finally, on behalf of the Board of Directors, I wish to thank all the shareholders for their continuing confidence and support.

Eric Edward Hotung

Chairman

Hong Kong,
26 July 2002