

Chairman's Letter

The period under review has been one of growth and expansion for the Group. Synergistic partnerships have been forged and expectations fulfilled, but by and large it has been a period of striking a balance between investment and realising potential.

Total revenue amounted to HK\$115.7 million for the nine-month period ended 31 December 2000, compared to HK\$174.8 million for the twelve-month period ended 31 March 2000. The Group recorded net profit of HK\$10.6 million for the nine-month period, the previous full-year's figure was HK\$20.0 million. The baby care product business remained the major source of turnover for the Group and this business performed well amid tough market conditions. The lower earnings were attributable to the substantial start-up cost of the Internet auction business, which has since been terminated. The Group now possesses a clean slate for onward progression.

I am happy that we have succeeded in diversifying into a new dimension of multimedia business, thus bringing new revenue sources for the Group.



Our business will comprise a diversified multimedia entertainment organisation operating throughout Greater China and the Asia Pacific region



From Strength to Strength

In relation to the baby care product business, we have expanded the manufacturing facility in China and improved the production planning cycle. The Group is now able to offer higher quality products for lower costs. This part of business will continue to generate stable revenue contribution.

The acquisition of Wellfit Group not only strengthened our multimedia production and distribution capabilities, but also opened up new revenue streams for the Group. CCT Multimedia is on track to evolve into the full-fledged media and one-stop production enterprise.

Portals

Our portal operations represent a key element of our overall strategy, which complements our other multimedia operations. Leveraging on quality content production capability, our portals are able to generate attractive returns from a range of marketing and alliance programs with partners.

In particular, we are confident that CCT Multimedia's investment in mingpao.com, the flagship portal of one of the best-known Chinese publishing groups, will bring in attractive returns in the near future.

Multimedia Production

Wellfit Group's rich experience and extensive network of business contacts in the field of multimedia production provide impetus for the Group to develop and grow.

Wellfit Group currently has over 60% market share of local karaoke and MTV production and over 80% of concert video production in Hong Kong. Spectacular events in 2000 such as the "Metro Hits Awards Presentation 2000", "One2Free Christmas Free Party on Canton Road" and the "Times Square Apple Countdown 2001" were all produced by CCT Multimedia.

This solid business foundation provides stable and recurring revenue for the Group.

TV Program Production and Distribution

In the face of an emerging TV and multimedia industry in Hong Kong and in the Greater China region, Wellfit Group has acquired the necessary resources available in order to take an active role in these markets.

The TV program production experience of Wellfit Group, together with its distribution network, provides a new and energetic combination that will reap rewards in the coming year.

Summary and Prospects

The period in review has been commercially successful and very satisfying. We have done well in a very competitive arena, and the management team has operated smoothly and effectively to fulfill our corporate vision and strategies while dealing with the exigencies of a changing marketplace. I wish to thank that team as well as the skilled and very dedicated individuals who collectively constitute our staff.

It is our intention to continue to develop with the pace of the market through organic growth and acquisition. The Group is currently evaluating the feasibility and potential of developing publishing business in the PRC market. The strong and extensive working relationships we have established are an invaluable resource in collecting marketing information, making new business contacts and meeting new strategic partners. On this basis, we will continue to selectively seek out suitable business opportunities which will create real value for the Group and maximise returns for our shareholders.

By Order of the Board

MAK Shiu Tong Clement
Chairman

Hong Kong, April 19, 2001

