

## **Chairman's Statement**

### **GROUP RESULTS**

The results of the Group for the 15 month period from January 2000 to March 2001 were not as successful as the results of last year when we reported a net profit of HK\$68,507,000.

The period under review, unfortunately, shows a net loss after tax of HK\$198,439,000 principally due to the poor results in the global financial markets during the year 2000 and continuing into the first quarter of 2001. The loss per share for the period stood at HK\$1.83 comparing with earnings per share of HK62.9 cents in 1999.

### **DIVIDEND**

No interim dividend was paid during the period under review (year ended 31 December 1999: Nil). The Board of Directors do not recommend the payment of a final dividend for 2001 (year ended 31 December 1999: HK30 cents per share).

### **BUSINESS REVIEW**

The U.S. economy, after growing at a rate of over 5% GNP a year ago has now slowed down to a growth of around only 1%. This rapid and unforeseen slowdown has taken its toll on stock markets around the world. Global stock markets prices, especially the high-technology shares tumbled. The Nasdaq Composite Index fell more than 60% from its high in March last year to 1840 points as at the end of March this year. Our exposure to the U.S. market suffered with other funds and companies across the board.

Rental income from investment properties during the period under review continued to provide a steady source of income for the Group. Operating profit from property rental activities has improved slightly.

### **LIQUIDITY AND FINANCING**

The Group has relied on its internally generated cash flows, bank borrowings, banking facilities and the undermentioned long term loan from a director to finance its business during the period. As at 31 March 2001, the Group had unused banking facilities totalling HK\$10 million.

As at 31 March 2001, the Group's audited consolidated balance sheet shows a net current asset balance of over HK\$40 million (31 December 1999: HK\$124 million). The Group's current ratio was 1.39 (31 December 1999: 1.91) while its total debt to equity ratio (based on the Group's total borrowings of HK\$219,259,000 (31 December 1999: HK\$47,224,000) and total capital and reserves of HK\$140,367,000 (31 December 1999: HK\$359,140,000)) was approximately 1.56 (31 December 1999: 0.13) as at 31 March 2001. The market value of the securities investment portfolio held by the Group was HK\$122.8 million (31 December 1999: HK\$79.6 million) which represents approximately 33.7% (31 December 1999: 15.9%) of the total assets of the Group.

Certain of the Group's bank loans and overdrafts are secured by legal and floating charges over the Group's investment properties and investment portfolios. Details of such charges are disclosed in note 20 to the financial statements.

## **Chairman's Statement** *(continued)*

### **PROSPECTS**

Your Group has now established a trading strategy that is designed to recapture growth in the next 6-12 months. We have also established risk control measures to protect the principal base. An interest-free long term loan of HK\$115.6 million from a director, Mr Eric Edward Hotung, has diminished the overdraft exposure enabling the Group to hold its position of key stocks which have suffered dramatic erosion. With the impending tax relief advocated by the Bush Administration, the U.S. economy should improve and contribute to our results over the following 12 months.

We will continue to concentrate on U.S. investments as we believe the initial thrust of recovery will be in the U.S. and trust that the measures taken will assist us to recoup the recent losses and to go forward in this difficult market environment.

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 and Managing Director*

Hong Kong, 20 July 2001