

CHAIRMAN'S STATEMENT

I am pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2001.

The turnover of the Group for the year ended 31st March 2001 was approximately HK\$48.5 million whilst the profit attributable to shareholders for the financial year under review amounted to approximately HK\$10.8 million.

The consolidated net asset value of the Group as at 31st March 2001 amounted to approximately HK\$261.2 million, which represented a 15.3% increase from the previous financial year. The Group had no bank borrowings as at 31st March 2001 and the liabilities of the Group on the same date were reduced by approximately HK\$210.6 million from the previous financial year, all of which clearly demonstrated that the Group is financially healthy.

The Board recommended a final dividend of HK\$0.015 per share to the shareholders whose names appear on the Register of Members of the Company by the close of business on 21st September, 2001. It is intended that such dividend will be paid on 26th October, 2001.

BUSINESS REVIEW

The Board of Directors has changed the corporate strategy of the Group to focusing on fee-based business and direct investment opportunities. In view of the change of the Group's corporate strategy, the Group has disposed of the securities and futures brokerage business and has discontinued the margin financing business. The securities and futures brokerage business was disposed of at a gain of HK\$3.8 million and such gain on disposal was recorded in the consolidated profit and loss accounts for the financial year under review.

Subsequent to the disposal of the securities and futures brokerage business, the operations of the Group have been streamlined and the financial position of the Group has been greatly improved by significantly reducing the Group's liabilities level by approximately 88%. The senior management has regularly reviewed and evaluated direct investment proposals presented to the Group. Despite the fact that the works of the senior management of the Group has been severely disrupted by the presentation of a petition by a shareholder to wind-up the Company, the details of which are referred to below, the Group has successfully executed 2 direct investment projects.

Revenue

Fee-based business

During the financial year under review, the corporate finance business continued to be the Group's core source of income, notwithstanding that competition within the corporate finance business in Hong Kong has become increasingly intensive. In order to keep our Group's corporate finance business competitive, the management will continue to focus on the maintenance of a highly professional team and the delivery of good quality professional services to our clients.

Other than the corporate finance business, the Group has successfully diversified its fee-based business into fund management. Subsequent to the balance sheet date, the Group has secured a direct investment fund management agreement in respect of a direct investment fund. Management

fees income regarding the same will be recorded in the forthcoming financial year. Other than the management fees income, the Group may also be entitled to management bonuses for capital appreciation on the managed fund. The Board believes that the diversification of the Group's fee-based business will broaden the revenue horizon of the Group in the long run.

Direct investments

The management of the Group has evaluated various direct investment opportunities carefully from time to time. Although the Group has not yet brought in any turnover from direct investment business, the Group has, subsequent to the balance sheet date, established a direct investment joint venture fund with an independent third party. The amount of the established fund is HK\$100 million, in which the Group has invested HK\$50 million. The Board believes that with an enlarged base of funds for direct investment purposes, the shareholders of the Group will enjoy the benefits of financial returns and capital gains in future.

Besides the direct investment joint venture, the Group has entered into a direct investment agreement pursuant to which the Group would invest approximately HK\$20 million into a business which is principally engaged in the trading and manufacturing of precision components processing equipment, in which the Group has a 70% interest. The Board believes that this investment will generate returns to the Group in the year 2003.

Fund raising by shares placing and subscription

Despite the generally quiet market conditions in the year 2000 following the burst of the "dot-com" bubble, the Group successfully raised funds of approximately HK\$31 million by way of shares placing and subscription in August 2000. The proceeds were used for the Group's general working capital purposes.

Investment environment

The investment environment in Asia, in particular Hong Kong, remains difficult for the financial year under review and capital market remains inactive. A lot of industries, especially the high technology industry, are still undergoing a consolidation stage, which causes the Group to adopt a cautious approach in evaluating the investment opportunities and formulating investment decisions. Notwithstanding the foregoing, the Board remains optimistic about the future growth and development of the Group's business with the support of a highly professional team in handling fee-based corporate finance business as well as the industry knowledge and skill set which enables the Group to participate more actively in the direct investment business.

STAFF AND REMUNERATION POLICIES

As at 31st March 2001, the Group employed a workforce of about 20. Total staff costs incurred during the year amounted to approximately HK\$14.9 million, which represented a decrease of about 57% from the previous financial year. The Board regularly reviewed the Group's staff compensation package.

DISRUPTION FACED BY THE MANAGEMENT

Petition and injunctive action made by a substantial shareholder

On 8th March 2001, a substantial shareholder of the Company, Kistefos Investment A. S. ("Kistefos"), presented a petition (the "Petition") against the Company and a director of the Company (the "Respondent Director") before The Supreme Court of Bermuda (the "Bermuda Court") alleging that the affairs of the Company had been and/or were being conducted in a manner, which is oppressive or unfairly prejudicial to the interests of some part of the Company's shareholders. Kistefos, in the Petition, seeks an order that the Company and/or the Respondent Director purchase Kistefos' shares in the Company at a fair value to be determined by the Bermuda Court or, alternatively, an order that the Company be wound up by the Bermuda Court. The hearing of the Petition before the Bermuda Court has been fixed to commence on the 17th September 2001.

Subsequent to the presentation of the Petition, an interim injunction was granted on 15th May 2001 by the Bermuda Court upon an ex parte injunction application made by Kistefos on the same date. The Company successfully set aside the injunctive order at a hearing on 18th May 2001. The Bermuda Court ruled, that when the injunctive order was made, it had been misled into concluding that the Company had no on-going business. The conclusion was wrong in fact with the result that the Bermuda Court was satisfied that the injunctive order should not have been made. The Company was awarded the costs of its application to set aside the injunction.

The Company has further sought legal advice from its legal advisors in Bermuda regarding the Petition and the Board believes that the Company has reasonable prospects of successfully defending the Petition presented by Kistefos.

As a result of the Petition presented to the Company, it is necessary for the senior management to spend a substantial amount of management time in dealing with the allegations made in the Petition. Fewer management time has therefore been spent on profit making activities, the happening of which is definitely not in the interests of the Company's shareholders.

For the best accounting practice, the Board has also required to make a provision in the accounts for the proceedings of the Petition, which affects the profit level of the Group. The Board is currently not in a position to anticipate when such actions by Kistefos will be finally concluded.

PROSPECTS

With the upcoming admission of the People's Republic of China in the World Trade Organization, the Board believes that more direct investment opportunities will be available to the Group. However, the Board suggests that the financial result for the year ended 31st March 2002 may not be appealing to the shareholders since substantial amount of management time of the Board and the senior management will have been occupied in dealing with the proceedings brought by Kistefos. Nevertheless, despite the difficult investment environment in Hong Kong and the actions of Kistefos referred to above, once the proceedings come to an end, the Board is optimistic that the Group, with a healthy financial position together with the management expertise as well as the redefined business focus and strategy, will benefit from continued growth and development in the financial year ended 31st March 2003.

The Board would also like to take this opportunity to express gratitude to the staff of the Group for their continued and dedicated contributions during the financial year under review.

For and on behalf of the Board

Dr. Lily Chiang

Chairman

Hong Kong,
10 July 2001