

MANAGEMENT'S STATEMENT

Review of Business Activities

Era of New Phase

The success debut of the Group in The Stock Exchange of Hong Kong Limited in December 2000 marked an important milestone for the Group's new phase of development at the beginning of the new millennium. It recorded a subscription rate of 10.7 times during the initial public offering amid the stagnant investment sentiments in the region during the period. The listing exercise not only enabled the Group to increase its shareholder bases, but also facilitated it to enlarge the funding sources to capture any investment opportunities arisen in the Greater China and Asia-Pacific regions in the forthcoming years.

Financial Review

Operating under the adverse investment environments, the Group sustained approximately 20% increase in net profit to approximately HK\$3.57 million over the year. This is mainly attributed to the gain on disposal of investments, while administrative expenses and finance costs were kept at a reasonable level. On a per share basis, basic earnings per share amounted to HK\$0.0192 (2000: HK\$0.0171) whereas net assets value per share was HK\$0.27 at the balance sheet date.

Bubble Burst Swinging Sentiments

The economic environment and market sentiments in the Asian-Pacific regions have been gradually recovering after undergoing a period of consolidation since the Asia financial turmoil of 1997. The global stock markets, however, experienced a roller-coaster scenario where market sentiments have been wildly swinging from roaring bullish in the beginning of the year to subdued bearish since the mid of the year caused by the prolong correction in certain over-valued sectors in NASDAQ. During the corresponding period, NASDAQ slashed by approximately 56% from its historical high. In Hong Kong, the Hang Seng Index fell by approximately 24%, while the Hong Kong Growth Enterprise Market Index plummeted by approximately 67%. The Group's listed securities portfolio concurrently suffered an unrealized impairment in value. As a result, an unrealized loss provision of approximately HK\$14.9 million has been made at the balance sheet date. The Directors expect that the value of the medium to long-term investment securities in the portfolio will gradually recover to a reasonable level when market sentiments improve.

Investment Portfolio and Financial Resources

At the balance sheet date, the Group's investment portfolio consisted of approximately 43% in unlisted investments, 37% in listed investments and 20% in cash and cash equivalents. Analyzed by the form of investments, the Group's investment portfolio comprised approximately 62% in equity securities, 18% in convertible bond and note, with the remaining 20% in cash and cash equivalents. The Group had no bank borrowing at the balance date.

MANAGEMENT'S STATEMENT

Future Prospects

The current retreat of the global economic condition is mainly driven by consolidation in the major developed economies with the negative wealth effect triggered by the prolong correction in the over-valued sectors of the stock markets. In the forthcoming year, we will remain cautious and maintain our well-balanced position in selected sectors. Nevertheless, the Group remains conservatively optimistic that the listed securities it holds will eventually recover their original values and the unlisted securities will provide the Group with reasonable rewards upon the right time of disposal via IPO or trade sale. Furthermore, the PRC's immediate entry into the World Trade Organization ("WTO") should be a major booster to the economic activities there. Hong Kong, being a proxy for the PRC's growth, should benefit directly or indirectly.

Looking ahead, the Group envisages that the new millennium will be an era of telecommunication, biotechnology and e-commerce. These sectors will be the swelling momentum of global economic growth as well as the focus of the international financial markets. The Group will continue to take a proactive role in constructing its investment portfolio in this regard so as to increase shareholders' return when appropriate opportunities arise in the Greater China and Asia-Pacific regions.