

Managing Director's Statement

30 April 2001

For the year ended 30 April 2001, the Group's audited consolidated loss attributable to shareholders was \$282,764,000, reversing the 2000 earnings of \$10,090,000. Overall turnover was \$1,643,880,000 compared with \$1,816,504,000 of the previous financial year.

BUSINESS REVIEW

Financial Services – Securities Brokerage

Following the burst of the hi-tech bubble, Hong Kong's stock market gloom deepened during the year under review. Undercut by global economic stagnation, the local economy is still in recession with a high rate of unemployment, excessive inventory and uncertainties about the progress of business recovery. Net capital inflow into the local market had dried up and inevitably share prices of most listed companies plunged to new lows. Billions of wealth was wiped out, particularly in the hi-tech sector where many dot-com companies became dot-bomb.

As downward pressures on local shares remained unabated, and the quasi-economic recoveries highlighted by the double digits rebound of Hong Kong's GDP in Q2 and Q3 quickly dissipated, investors' confidence was severely eroded. During the year under review, turnover of the stock market was down over 15% when compared with the same of the previous financial year. The resulting impact was a severe contraction of the division's commission income.

In the midst of such a lackluster trading environment, one of the few alternatives that the securities broking division could choose to keep its operation profitable was to maximize returns from proprietary trading and minimize operational expenditures. More importantly, the management decided to reduce the marketing costs of online trading project and freeze side-track development. The securities broking division resorted to a more traditional, folksy and face-to-face approach so as to cultivate its goodwill among the clients. It proved to be a successful strategy in stabilizing its market shares. For the year ended 30 April 2001, the division is pleased to record a profitable year notwithstanding of adverse trading constraints.

On 7 October 2000, the division officially launched its online trading platform by which Internet clients could monitor and execute their trades on their own. Although the response of customers was not encouraging due to plummeting share prices and uninspiring trading environment, the division and its software vender would try to make the best use of this transitional period to further improve the technology in preparing for the next cyclical market boom.

In the PRC, 開時網絡科技(深圳)有限公司 ("Shenzhen Co"), a wholly-owned subsidiary of COL Net Securities Trading Services Limited which in turn is the Group's newly acquired associate, continues to provide software development and application services via "colstock.com" in the PRC by working closely with different local stockbrokers. The Shenzhen Co had already entered into 12 service agreements with local companies in different cities like Shanghai, Nanjing, Shenzhen and Harbin. Without a doubt, the result of the campaign has been encouraging. The Group believes that it would have positive impact on the Group's results of operations soon.

BUSINESS REVIEW (Continued)

Financial Services – Precious Metal

Flat demand, uncertain gold leasing rates, and bullion sales from central banks continued to be the factors depressing the precious metal trading activities. Although the Federal Reserve Bank of United States keeps on lowering its interest rates, it does not have any inflationary pressure on the market at large. Without the need to hedge their investments from inflation, demand for jewelry remained low in Asia. As long term investors and speculators alike continued to shy away from precious metal, trading volume of the world bullion and silver markets kept relatively low for the year under review. As a result, tight profit margin and low turnover continued to affect the profitability of the division.

Financial Services – Futures Brokerage

As a result of deteriorating market condition, the Group has decided to continue suspending its unprofitable derivatives trading operation. The decision is based on the Group's resolution to maximize the benefits of resource allocation during this period of deflation. However, the Group has kept the respective trading rights for future use.

Base Metal

It was a quiet year for the metal division of the Group. Because of the worldwide downturn during the year under review, the division can only operate at a marginally breakeven level.

In Mainland China, the aluminum smelter continues to maintain its performance at the level of the previous year. The Group's investment in the nickel mines in northwest China had started production but in a small scale operation.

Chengdu Goldsilver Limited, a joint venture company in Mainland China manufacturing and trading precious metals, commenced its operation in January 2001. Due to the set up cost and training expenses, it recorded minor losses during the year.

The volume of trading of the Group's real time electronic trading platform, tigermetal.com, continues to grow as expected. It had made a modest contribution to the profit of the Group for the year.

PROSPECT

Financial Services

With respect to the Group's securities broking operation, the division is concerned that a shakeup of the industry is on the horizon due to the government's decision to deregulate sales commission in the near future. The market is sure to feel the resulting impact and uncertainties. A group of experienced staff from the stock broking division responsible for investigation of all related issues is expected to commence works soon.

Managing Director's Statement

30 April 2001



PROSPECT (Continued)

Financial Services (Continued)

For bullion trading, the Group foresees that the Hong Kong Gold and Silver Exchange will introduce meaningful changes that may attract more local interest to participate in gold trading. In line with the international standard, modifications are said to include longer trading hours, adaptation of electronic trading mechanism, and the introduction of gold with 99.99 per cent fineness to the trading floor. Moreover, in preparation for the entry of Mainland China to WTO later this year, the Group will try to explore business opportunity in the Chinese bullion market.

Base Metal

On the mining side, the Group will expand its operation by developing more mining pits in the coming year. As this will be one step closer to the core of the deposits, the Group believes that they will generate higher grading ore and make contribution to the results of the Group.

Chengdu Goldsilver Limited has reached breakeven point in July 2001. The Group expects that it will have a healthy increase in trading volume and contribution to the Group's results of operation thereafter.

The performance of the electronic trading platform, tigermetal.com, has been encouraging. It recorded 3-fold growth of revenue and number of clients on average in the first half of 2001 in comparison with the same period of previous year. The Group will therefore continue to assign more resources to this portal.

Digital Cable TV

To escape from the shakeout in the B2C pure play arena and further improve the traditional brick and mortar business model, the Group decides to introduce digital cable TV from the West to the established cable TV markets in Taiwan and Mainland China. The Group attempts to bring broadband services to traditional cable carriers through which digital cable suppliers will be able to deliver value-added services to their clients by means of set-top boxes. Benefited from wider bandwidth, subscribers are provided with a massive selection of channels bundled with a host of interactive capabilities and complete browsing functionality.

Subsequent to the year under review, the Group has acquired equity interests in a cable TV company in Taiwan. By partnering with the respective industry practitioners, the Group is expected to gain inroad into the robust Taiwan cable TV domestic market fast without worrying about brand name, target market, new technology, or acceptance. But more significantly, the Group is able to work on the established cable infrastructures instead of building an entirely new physical network from scratch. As a result, savings could then be used for marketing, manufacturing set-top boxes, installation costs and so forth. On the revenue side of the participation in the Taiwan cable TV industry, the basic subscription fees payable by up to about 1.2 million cable subscribers, who, unlike Internet users, are accustomed to pay for products served.

Managing Director's Statement

30 April 2001

PROSPECT (Continued)

Digital Cable TV (Continued)

In Mainland China, the PC penetration rate remains low in comparison with TV's. It would be much easier to convince potential customers to stay with TV monitor instead of buying PC, and use set-top box as substitute. This makes interactive cable TV an ideal product for education and entertainment. The Group has planned to provide software development and application services to the cable TV industry by establishing joint ventures with local cable TV companies in the PRC, such as Dalian. This enables the cable TV subscribers, including parts if not all of the 800,000 subscribers in Dalian, to enjoy the kinds of services similar to those in Taiwan.

The Group targets to gain from this digital cable TV venture so as to safeguard a steady income stream unaffected by the ups and downs of the business cycle. The Group believes that the provision of software development and digital cable set-top box to the cable TV industry will form a strong revenue base of the Group in future.

APPRECIATION

On behalf of the Board, I would like to express our appreciation and gratitude to all staff of the Group for their support, hard work and dedication over the past year.

Haywood Cheung

Managing Director

Hong Kong, 29 August 2001