

I am pleased to present to the shareholders the annual report of IFTA Pacific Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended 30th June, 2001.

RESULTS

Turnover of the Group for the year ended 30th June, 2001 was HK\$38,022,000, representing an increase of 185% over last financial year. Loss for the year amounted to HK\$9,194,000 for the year.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 30th June, 2001.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 23rd November, 2001 to 28th November, 2001, both days inclusive, for the purpose of establishing entitlements of shareholders to vote at the Annual General Meeting. During this period, no share transfer will be registered.

BUSINESS REVIEW AND PROSPECTS

In the year under review, the Group's performance is deeply hammered by the prevailing global economic downtrend, which led to cut throat pricing of its products. This led to shrinking of gross margin and finally operating loss resulted.

The Group recorded a loss for the year of approximately HK\$9.2 million (2000: HK\$12.9 million). Turnover of the year amounted to HK\$38.0 million, which was 185% more than that of the previous year. The loss position of the Group improved from approximately \$12.9 million in 1999/2000 to HK\$9.2 million in 2000/2001.

In wake of the obscure economic outlook which is further deteriorated by the US attack, the future for telecommunication industry are not certain. The Group will continue its efforts in controlling costs so as to maintain low-cost operation and to enhance survival in economic downtrend.

In times of difficulties, the Board will continue to look into business opportunities in its existing arena, as well as other opportunities in complementary business arena whatsoever.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has been able to maintain a healthy balance sheet. As at 30th June, 2001, the Group had a low gearing ratio of 0.025 (2000: Nil), calculated on the basis of the Group's bank borrowings over shareholders' funds, total cash and bank balances was HK\$6,053,000 (2000: HK\$18,038,000) exceeding trust receipt loans of HK\$542,000 (2000: Nil). These trust receipt loans are secured by bank deposits of HK\$2,012,000.

AUDIT COMMITTEE

The Group has formed an audit committee with written terms of reference approved by the board of directors. The latest meeting of the committee was held to review the results of the Group for the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30th June, 2001, there was no purchase, sale or redemption of the Shares by the Company or any of its subsidiaries.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our loyal staff for their contribution and their dedication, and to our shareholders, customers, suppliers and business associates for their continuing support.

On behalf of the Board

Zhou Hongwen

Chairman

Hong Kong

24th October, 2001