

CHAIRMAN'S STATEMENT

This is my first report as Chairman. I have looked at the Group long and hard, and considered whether there is any useful contribution I can give to the Group before accepting the invitation to take up the Chairmanship.

In taking up this responsibility, I accept my duties to all shareholders, associates and staff members. I have set a goal for myself, which I believe is achievable, with your understanding and management support.

After a review of the past year, I would like to share my inner thoughts with you. These concern more about significant corporate events occurring after the year end and prospects of the Group.

RESULTS

The results for the year ended 31 March 2001 from ordinary activities attributable to shareholders was a net loss of HK\$68,741,971. The Board of Directors does not recommend the payment of dividend for the financial year ended 31 March 2001.

BUSINESS REVIEW

The Group was plagued by internal strife, with two former chairmen of the Group juggling for board control of the Group and say over investments in China and Hong Kong. This was the crux of the problem facing the Group. This strife was made by both sides to last so long at the expense of public shareholders.

Certain ex-directors of the Group might have committed wrongs against the Group, and adjudication of their liabilities will be made by the court in due course. The Company will make prompt announcement to inform the public of the results of a number of legal actions involving the Company.

The Company now has a new Board, representing a diversity of business background and benefiting the Management with their many years of public company experience in Hong Kong as well as other jurisdictions.

The new Board has minimised the negative impact created by all the undesirable legal actions and questionable investments by:

- divesting from all non-performing joint ventures
- focusing the strength of the new Board on Chang Zhou Power Plant
- cutting recurrent and administrative overhead by approximately HK\$2 million per month since October 2001.

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The new Board is proud to inform all shareholders that we have successfully taken over the operation and management control of Chang Zhou Power Plant on 15 November 2001. Chang Zhou Power Plant is one of the most valuable assets of the Group. We have replaced the legal representative and the management team of the power plant with our experts in the field. The power plant is in smooth operation and is expected to generate revenue for the Group in the forthcoming year.

The new Board has been negotiating with several investors in relation to certain financial arrangement that will improve the financial position of the Company. Some agreements have been signed, and pending the clearance from the Stock Exchange of Hong Kong, public announcements shall be made promptly.

PROSPECTS

The Group is now on very firm footing, given:-

- a new Board which will provide policy guidance and supervision to the Management
- a streamlined management dedicated to the implementation of policy to achieve corporate objective, as in the successful result of Chang Zhou Power Plant
- administration of checks and balances through the establishment of an Asset Management Committee and a Risk Evaluation Committee.

It is already apparent, soon after the implementation of the restructuring plan, we now have a dedicated management team determined to learn from past mistakes. This includes reviewing all past investments of the Group to see whether or not there was negligence and mismanagement, and where legal responsibilities are due, the new Board will not hesitate to claim for damages against the wrong-doers, as in HCA No. 4646/2001 and HCA No. 4652/2001 against two former directors of the Company. The interest of all shareholders must be safeguarded.

Our success in taking over Chang Zhou Power Plant has proven the ability of the new Board. From now on, the Company will strengthen its business in power plant operation and is intended to diversify its investments to shipping transportation and logistics businesses in China.

I would like to apologise to all shareholders for not having been able to receive dividends in the past couple of years. The new Board will use its best efforts to revive the Group, and once it is on a healthy footing again, reasonable revenue will hopefully be generated. There will be improved transparency to keep shareholders updated of events. This is a commitment I am willing to take up as Chairman of the Group.

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I look forward to be able to report to you of progress in my next report. To reiterate my commitment to the Group, if the results of the Group shall not be improved, I shall tender my resignation as admission of my incompetence.

By Order of the Board
He Jianguo
Chairman

Hong Kong
7 December 2001