

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Capital Strategic Investment Limited (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31st March, 2002.

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK\$297.9 million for the year ended 31st March, 2002, representing a decrease of 53.5% from approximately HK\$641.3 million recorded in last year. During the year, the turnover generated from the manufacturing business and advertising network related services decreased by HK\$610.1 million and HK\$8.9 million respectively due to the disposal of the subsidiaries in these businesses. The turnover generated from the financial investments of approximately HK\$276.7 million become the new source of revenue for the Group.

The Group recorded a profit of approximately HK\$13.9 million for the year ended 31st March, 2002 compared to a loss of approximately HK\$320.9 million recorded in last year. This was mainly attributable to the gain arising from the disposal of interest in subsidiaries and associates.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy cash balance of HK\$157 million at the end of the year, most of the Group's surplus funds have been placed in time deposits with reputable financial institutions.

The Group's short-term bank borrowing has been decreased from approximately HK\$17.6 million as at 31st March, 2001 to approximately HK\$2.2 million as at 31st March, 2002. Long-term bank borrowing has been increased from approximately HK\$Nil million as at 31st March, 2001 to approximately HK\$27.4 million as at 31st March, 2002. All the bank borrowing was used to finance the investment properties to generate the Group's recurring rental income. As a result, the Group's total bank borrowing has been increased from approximately HK\$17.6 million as at 31st March, 2001 to approximately HK\$29.6 million as at 31st March, 2002. The total debt-to-equity ratio was maintained at a low level of 7.9% (At 31st March, 2001: 20.3%).

The Group has little foreign exchange exposure and the Group's borrowings were all denominated in Hong Kong dollars.

CORPORATE REVIEW AND PROSPECT

BUSINESS REVIEW

Whilst the twelve months under review have seen some of the most difficult business operating environments, the Group has nevertheless successfully turned-around its financial performance, and a profit of approximately HK\$13.9 million was recorded, compared to a loss of approximately HK\$320.9 million in the previous financial year.

Such drastic turn-around was mainly achieved by the Group's rigorous cost reduction and down-sizing measures, as well as its timely realization of various investments.

As previously announced, due to the severe competition and continued consolidation in the businesses of manufacturing and trading of computer related products, two principal subsidiaries engaged in these operations, namely Denco International Limited and Ocean Office Automation Limited, were disposed of during the period under review as part of the Group's down-sizing exercise for its loss making operations. Similarly, following the drastic down-turn in the global technology sector, the Group has realized its investment in Admomentum Limited, which had been the main driver of the Group's e-marketing business. In addition, and despite the collapse of investors' confidence during the weeks following the September 11th incident, the Group has successfully realized in full its investment in Premium Land Limited (HKSE Stock Code: 164). Instead of further adversely impacting profit from operations for the Group if these subsidiaries/associate company were retained, their realization have resulted in a net gain for the Group of approximately HK\$47.4 million.

As for one of the Group's other principal operation, namely those carried on by Century 21 Hong Kong Limited and comprising principally that of franchising estate agency work, real estate project management and related undertakings, its businesses remained stable and with operating losses kept under control at a relatively minimal level, despite the local property market remaining depressed throughout the period under review.

In light of the flight of capital into treasury markets worldwide resulting from the continued deterioration in business environment, the Group began to concentrate in the second half of the financial year in making strategic investments in various financial instruments, comprising mostly of debt securities with high credit ratings and other convertible debt securities in various locally listed companies, including the subscription of a convertible bond issued by Ananda Wing On Travel (Holdings) Limited as part of a HK\$500 million deal involving Hutchison International Limited, China Enterprises Limited and Sinolink Worldwide Holdings Limited. In addition to providing a more stable source of interest income for the Group, the making and subsequent realization of these investments have substantially broadened the Group's revenue base and have contributed significantly towards the Group's revenue during the period under review.

In further broadening of the Group's income and revenue base, the Group has also acquired certain prime local properties, with the view to collect rental returns, near the end of the financial year.

PROSPECT

Going forward, with strengthened income base and significant improvement in the Group's financial resources, mostly aided by the realization of various investments mentioned above, as well as the completion of a rights issue of shares on 4th October 2001, the Group intends to continue to make good use of its resources and capture those opportunities in making strategic investments as and when they arise. Apart from real estate related undertakings, focus will continue to be maintained in identifying other suitable investment candidates, particularly those with synergetic values with other undertakings of the Group. Further, the Group continues to recognize the importance of, and the potential synergies afforded by, providers of investment related services, both in terms of sourcing potential investment candidates as well as that of directing the manners of execution. As such, in addition to direct participation in strategic investment, the Group will continue its effort in exploring, and if thought fit, expand into the provision of investment related services.

REWARD FOR EMPLOYEES

The Group offers its employees competitive remuneration packages. During the year, share options were granted to various directors and employees to incentivise and to recognize contribution to the development of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my most sincere appreciation for the valuable efforts of our Directors, our management and employees who have contributed to the performance of the Group for the year. Finally, I would also like to thank our business associates, investors and bankers for their continued support over the years.

Choo Yeow Ming
EXECUTIVE CHAIRMAN

Hong Kong, 23rd July, 2002