

Management's Statement

BUSINESS REVIEW AND OUTLOOKS

For the year ended 31st March, 2002, the Group recorded a loss of HK\$9.79 million which was primarily attributed to the realised loss in divestment of listed investments during the period, while administrative expenses were kept at a reasonable level. On a per share basis, basic loss per share was HK\$0.0412 (2001: earnings per share: HK\$0.0192) and net assets value per share was HK\$0.24 at the balance sheet date (2001: HK\$0.27). The Group had no bank borrowing and was wholly financed by shareholders' funds during the year.

Business Review

Hong Kong still endured in the trough of the cycle for the period under review, with the Gross Domestic Product experiencing a consecutive three quarters year on year downturn and the unemployment rate shooting to a historical high of over 7%. The events of September 11 also gave a harsh blow to the global financial markets. Asia Venture Capital Journal best summarized the Directors' review in its commentary of the November 2001 issue (Volume 14, Number 11) as "One thing that old and new-timers alike can agree on, is that the current economic state is something none of us have ever faced before. A key, critical difference is the macroeconomy – the Asia Financial Crisis was focused on Asia, while many other markets prospered. In contrast, the current downturn seems to be a global one, except perhaps in China."

The stock market in Hong Kong was oscillating downward primarily underpinned by the prolonged sluggish domestic growth and clouding of abundant external economic uncertainties. The Hang Seng Index and the Hong Kong Growth Enterprise Market Index plummeted by approximately 13.31% and 21.67% respectively, making the Group's listed securities portfolio suffered realized and unrealized impairment in value during the reported period. The Group's investment portfolio consisted of approximately 45% in listed investments, 45% in unlisted investments and 10% in cash and cash equivalents. Segmented by the form of investments, the Group's investments portfolio consisted of 81% in equity securities, 9% in convertible bond, while the remaining 10% was cash and cash equivalents at the balance sheet date.

Acquisition of a Subsidiary

On 26th October, 2001, the Group acquired 100% of the issued share capital of Cyberlink Management Limited ("Cyberlink") together with a shareholder's loan amounted to US\$200,000 at a consideration of approximately HK\$6 million. The principal activity of Cyberlink is investment holding and its major asset is the holding of 12.94% interest in Golisa Enterprise Resources Pte. Ltd. ("Golisa"). Golisa, being a company incorporated in Singapore, is principally engaged in the provision of business management and consultancy service, and distribution and development of human resources software solutions.

Share Placement and Subscription

Taiwan International Capital (HK) Limited ("TICL"), the substantial shareholder of the Company entered into the Placing and Subscription Agreement (the "Agreement") dated 12th June, 2001 for the placing of up to 40 million existing ordinary shares of HK\$0.01 each (the "Share") in the share capital of the Company at the placing price of HK\$0.247 per share (the "Placing Price") to independent investors.

Pursuant to the Agreement, the Company issued and allotted and TICL subscribed for 40 million new Shares (the "Subscription Shares") at the subscription price of HK\$0.247 per share less the costs and expenses incurred by TICL in relation to the placing and the subscription. The Placing Price represents a discount of approximately 19.02% to the closing price of HK\$0.305 of the Shares as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11th June, 2001 and a discount of approximately 15.12% to the average closing price of HK\$0.291 per share as quoted on the Stock Exchange for the ten consecutive trading days ended on 11th June, 2001.

The Subscription Shares represent approximately 19.36% of the entire issue share capital of the Company as at the date of the Agreement and approximately 16.22% of the entire issued share capital of the Company as enlarged by the subscription. The net proceeds of the placing and subscription amounted to approximately HK\$9.4 million have been used for investment.

Future Prospects

A few ASEAN countries and regions such as South Korea and Taiwan have already pulled the pendulum of the regional economic growth, even though the Directors believe that Hong Kong will be lagged behind in the arena as the undergoing fundamental restructuring has yet to finale. The sustainable economic growth and the continuation of proactive financial market reforms in the PRC, nevertheless, will be a pain-reliever to Hong Kong capital market at least in the near term. Market consensus agrees there is a good chance for Hong Kong economy to begin to turn positive by the third quarter of 2002. The consolidation of the Group's investment portfolio over the reported period has strengthened the Group's investment capability and that enables the Group to seize any investments arise in either Greater China or Asia Pacific regions. The Group will continue to take an active role in formulating its investment strategy to the upfront challenges in order to maximize the shareholders' returns.