30 April 2002

FINANCIAL RESULTS

The turnover of the Group for the year under review was $224,731,000, a reduction of 86.33% when compare to that of the last year. The net loss attributable to shareholders was $510,266,000, against $282,764,000 of last year.

BUSINESS REVIEW

Financial Services – Securities brokerage

General business climate had worsened since the last review while Hang Seng Index continued to slide for the year ended 30 April 2002. Trading activity in the equity market remained subdued most of the time, except for a brief period in early summer when hot money flowed through Hong Kong on their way to other markets.

For the period under review, the average daily turnover of the local market recorded a drop of over 27% to about HKD 7 to 8 billion. Banks and a small number of brokers began to offer brokerage incentives in the hope to attract more business in a shrinking market. Our division's turnover recorded a reduction of about 30% compared with that of the preceding year, roughly in line with the performance of the local market. By and large, our customer base, which we have been building up for the past thirty years, remains stable amid a highly competitive market environment and uncertainties. Commission still fixed.

Notwithstanding, bearish market performance on top of a depressing economy finally took a toll on our credit control mechanism. For the year under review, the division had to set aside more provisions to cover doubtful debts and unrealized loss due to proprietary trading.

With respect to online trading, the division continued to adopt a conservative policy to develop this market segment. No additional funding in terms of marketing and software enhancement expenditures were provided for during the year under review, as most of our clients were not keen to adopt this new trading tool in the midst of such a lackluster and uninspiring market environment. The division will keep a close monitoring on market sentiment and position itself to launch the whole venture again when the favourable conditions return.

Precious Metal

When central banks stop auctioning their gold reserves, producers reduced the hedging activities, and investors turned to gold market for risk diversification. These factors contributed to the return of the bullion market after hibernation period of over 10 years. For the year under review, bullion price climbed from USD264.70 to over USD300.00 per ounce in the spot market.

BUSINESS REVIEW (continued)

Precious Metal (continued)

The Group's decision to shift the focus of the division from physical trading to brokerage and dealings in last October proved successful. Investors who have found it hard to make profit from equity markets have turned their attention to bullion trading. Although the division was not profitable in this financial year, the Board is confident that the business strategy of the division remains sound. As bullion price is able to shake off its bearish sentiment, we expect the trading activities will continue to improve with more hedging and speculative opportunities and bring positive contribution to the Group's performance.

Base Metal

For the year under review, the metal business maintained its steady performance. The Aluminium smelter operated in the Mainland China, as usual, achieved profitable results and contributed its share of earnings to the Group as a whole. Nickel mining in Northwest China reported a minor loss during the year under review as progress of the development in the third pit of mine was hindered by engineering problems and inevitably the production schedule was deferred by 3.5 months. Despite such delay, the overall mining operation has been breaking even since May 2002 and generated operating profits. Revenue generated in the operation of metal futures brokering is currently growing.

The precious metals manufacturing and trading of the Group's jointly-controlled entity in the Mainland China, Chengdu Goldsilver Limited, reported profit for the first year of its operations.

PROSPECTS

Financial Services

Arguably, the retail sector in Hong Kong was hit hardest during the year under review. Plummeting stock price continued to undermine investor confidence. Our retail stock broking operation is no exception. Economic environment in the first two quarters of 2002 was harsh for most retail businesses in Hong Kong. Local securities brokerage industry may witness another shakeup with inefficient and less experienced participants being outplayed by more resourceful establishments. Moreover, the government's insistence to de-regulate sales commission by the coming April continues to exert additional pressure on the industry at large. In due course, we expect to see more amalgamation and merging activities within the industry.

Against such a backdrop, our securities broking division will continue to strive to improve productivity while looking for more business opportunities in Hong Kong and the Greater China Region. Our base metal mining operation, which has its base in China for years, is expected to provide assistance in this regard. As for the local market, the respective division is ready to seize upon any new business opportunities that may arise from the expected shakeup of the broking industry in the near future.

PROSPECTS (continued)

Financial Services (continued)

With respect to bullion trading, the division will continue to implement the business strategy established last year by shifting more resources from physical trading to broking and dealing. With bullion price continues to be volatile, we expect the once dormant market will become more active, probably, at the expense of the securities market. In terms of contribution to operating results, the bullion division is expected to contribute more positively to the Group's performance in the year ahead.

Base Metal

The Group expects its mining operation will continue to contribute positively to the Group's performance for the current forthcoming financial year. A key objective and mission for the current year is to explore more mining pits in order to enlarge its mining sources.

The operation of metal futures brokering has been encouraging both in terms of its turnover and clientele in the year under review. The Group will therefore keep focusing its resources to develop and maintain its trading portal.

The Group is confident of the potentials of Chengdu Goldsilver Limited to contribute to the Group's results and performance for the current financial year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2002, the current ratio of the Group was at approximately 0.83 and the net current liabilities were approximately HK$28,578,000. The Group's gearing ratio, which was calculated based on the long term interest bearing borrowings and the shareholders' equity, was about 51.41%.

As at the balance sheet date, the Group's current assets fell below its current liabilities. The Directors have been working to improve the current liquidity of the Group. On 28 August 2002, the Group entered into conditional agreements to raise up to HK$39 million (before expenses) through the issue of new shares and a convertible note to a strategic investor, and the placing of shares to public investors.

As also announced in the Company's announcement dated 29 August 2002, the Company is in negotiations for the issue of 3 year convertible bond in the principal amount of HK$150 million.

The Directors are cautiously optimistic that the proposed placings, issue of convertible note and convertible bonds will be completed in the near future and that the Company's current liquidity and financial position will be significantly improved on completion of these transactions.

CURRENCY STRUCTURE

The Group had limited exposure to foreign exchange rate fluctuations as most of the transactions, including borrowings, were conducted in United States dollars, Hong Kong dollars or Renminbi. The exchange rates of these currencies were relatively stable for the period. Hence, there is no significant exchange risk.

CHARGES ON GROUP ASSETS

As at 30 April 2002, the Group's total bank borrowings amounted to HK$180,415,000 (2001: HK$189,394,000), which were secured by the Group's bank deposits, investment properties, leasehold land and buildings and listed investments of margin clients with the margin clients' consent.

EMPLOYEE AND REMUNERATION POLICY

As at 30 April 2002, the Group employed a total of about 100 employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and prevailing salary levels in the market. Benefits provided to the employees by the Group include training, provident funds and medical coverage. Through the share option scheme established for the senior personnel, it is intended to integrate their responsibilities, authority and benefits.

Haywood Cheung
Managing Director

Hong Kong, 29 August 2002