

On behalf of the Board of Directors, I would like to present the activities and the results of the Group as follows:—

BUSINESS REVIEW AND PROSPECTS

RESULTS

Due to the change of financial year end date of the Group from 31 March to 31 December, the results presented herein only cover a period of nine months ended 31 December 2000. During the period, the turnover of the Group increased by approximately 109% as compared to the 12 months ended 31 March 2000 to HK\$265.5 million. This was mainly due to the inclusion of interest income of HK\$20 million, the inclusion of brokerage commission of HK\$13.9 million and proceeds from sale of trading securities of HK\$87.9 million in this period, all as a result of the consolidation of the Group's equity interest in an associate, Hennabun Management Inc. ("HMI Group"), which became a subsidiary of the Group during the period. The loss attributable to shareholders of HK\$369.1 million represents a 26.3% decrease as compared with a loss of HK\$500.9 million for the last financial year ended 31 March 2000. The loss per share was HK4.2 cents as compared with HK30.2 cents for the corresponding year ended 31 March 2000.

In view of the above, the Directors do not recommend any final dividend for the nine months ended 31 December 2000.

REVIEW AND OUTLOOK

During the period, the Group continued to rationalize the Group's assets portfolio with a view to enhance their productiveness and contribution. The Company has taken concrete steps to increase its investments in the promising Financial Services sectors through the increase of the Group's equity interest in HMI Group. The Group's interest in HMI Group stood at 95.68% as at 31 December 2000. During the period, about 45.9% of the Group's turnover was contributed by HMI Group. As to the High-Technology sectors, given the recent adverse sentiment and the resulting consolidation of the internet and internet related businesses, the Group has taken a conservative approach to make necessary and adequate provisions for diminution in value of certain investments in these sectors and is taking a more cautious view to selectively pursue new investments in this area with readiness to capture any new opportunities when solid recovery returns.

In view of the recent clear evidence of an economic downturn in US, which has significantly increased uncertainties and bearish sentiment in the global business environment, Hong Kong's economic recovery has slowed down substantially and the Group will take a cautious approach whilst maintaining an open attitude to look for prospective attractive investment opportunities.

LIQUIDITY AND CAPITAL RESOURCES

During the period, the Company's financial position has been substantially improved and strengthened by completing a Two for One Rights Issue and through the issue of 616,830,000 new shares arising from the exercise of the employee share options, raising a total equity fund of approximately HK\$623 million (before issue expenses) and HK\$10.6 million respectively. After the period ended 31 December 2000, the Company has made two additional share placements raising a total HK\$65.3 million (net proceeds) in new equity to further strengthen the Group's capital base.

LIQUIDITY AND CAPITAL RESOURCES *(Continued)*

As at 31 December 2000, the Group's total shareholders' funds amounted to HK\$543.6 million compared with HK\$318 million as at 31 March 2000. The Group had net current assets of HK\$82.8 million including cash, bank balances and deposits of HK\$90.1 million compared with net current liabilities of HK\$178.9 million including cash and bank balances of HK\$47.6 million as at 31 March 2000.

The Group has taken advantage of a greatly improved capital base to achieve a gearing ratio of 109.2% and current ratio of 1.2 times at 31 December 2000, compared to that of 174.5% and 0.45 times respectively at 31 March 2000.

As at 31 December 2000, certain assets of the Group with an aggregate carrying value of HK\$576.5 million and shares in a subsidiary were pledged to banks and other financial institutions to secure credit facilities granted to the Group. In addition, interests in and loans to two associates were pledged to secure a loan and interests payable to a third party.

EMPLOYEES

As at 31 December 2000, the total number of employees of the Group was 102. The Group remunerates its employees based on their performance, working experience and prevailing market standards and reviews their remuneration annually. Staff benefits include a medical insurance coverage, provident fund and a share option scheme.

DIRECTORS

Mr. Chan Wing Cham, Lawrence, one of our independent non-executive directors resigned on 4 December 2000 due to other personal commitments. He was replaced by Mr. Sun Lup Chung who was appointed as an independent non-executive director on the same day. In addition, Mr. Wong Siu Bun, a dealing director of HMI Group was appointed as an executive director of the Company on 5 December 2000. I would like to take this opportunity to thank Mr. Chan for his significant contributions to the Group while he was a director.

PROSPECTS

As mentioned above, the end of last year and the beginning of this year increasingly signal a significant downturn in the U.S. economy. The Board has decided to take a cautious attitude towards new investment opportunities. However, the Board feels being encouraged by the increasing vigor of the U.S. Federal Reserve in micro-managing the U.S. economy which had led to a reduction in the Federal Fund rate in an aggregate of 2% since the beginning of 2001. The policy to reduce interest rates appears to finally beginning to take hold and there are signs that the worst may have been over. The Group with its improved financial position is well-placed to take advantage of such up-turns. The Board is thus cautiously optimistic about the medium term prospects for the Group.

APPRECIATION

I would like to take this opportunity to thank all the directors and staff for their contribution and support to the Group during the period.

Chuang Yueheng, Henry
Chairman

Hong Kong, 20 April 2001