

I would like to present to the shareholders the second annual report of Karl Thomson Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 March 2002.

BUSINESS REVIEW

During the financial year under review, almost every sector of the economy is struggling through one of its worst slumps and the local financial industry also confronted with grave challenges in its operating environment as turbulence persisted on local and major overseas stock markets resulted from the global economic downturn. Investment sentiment was further aggravated by the impact of terrorist attack in the United States of America on 11 September 2001 (the “911 Incident”).

During the financial year under review, average daily trading volume on The Stock Exchange of Hong Kong Limited (the “SEHK”) fell more than 30% due to sluggish trading activities. Under the unfavorable market conditions, the Group recorded a decrease in

*The
Directors have
pleasure in presenting their
annual report and the audited
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31 March 2002.*

consolidated turnover by 25.10 % to approximately HK\$32,385,000 (2001: HK\$43,235,000). Loss attributable to shareholders for the year was amounted to approximately HK\$73,404,000 and loss per share of HK16.10 cents.

Given the difficulties and challenges, the Group has managed to overcome the adverse environmental elements by adopting a lean and mean approach for its operations without sacrificing the quality of service. The Group has attempted to enhance its operational efficiency during the year through careful review of its operational resource allocation and consolidation in its branch networks.



The Board of Directors (the “Board”) does not recommend the payment of a dividend for the year ended 31 March 2002.

OUTLOOK

Although the Group considers cautiously that the recovery of the local and US economy from recession will only be slow and gradual in the foreseeable future, we will continue to implement a stringent review of strategy in business development. With well-managed control systems and solid financial position, we are optimistic that we will be able to exploit to our advantage opportunities offered by the anticipated recovery in global economy. The future success of the Group will undoubtedly rely on our expansion plan aiming at creation of value to our clients and strengthening of the Group’s market position.

APPRECIATION

On behalf of the Board, I wish to extend my gratitude to our shareholders and valued clients for their support. I also wish to express my sincere appreciation to all members of management and staff for their hard work and dedicated service.

On behalf of the Board

LAM KWOK HING

Chairman

Hong Kong, 22 July 2002