MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results:

For the period under review, turnover of the Group was HK$60,181,000, representing a 6% increase over the turnover of HK$56,769,000 for the corresponding period last year.

Gross profit margin has roughly tripled to 12% (period ended 31st December, 2000) from 4.2% (period ended 31st December, 1999) reflecting the continuing effort of the management to focus on better profit margin businesses and the contribution from the Group's ventures.

The Group is also able to generate additional revenue principally through interest income reaped as a result of substantial cash on hand (see below) and the gain on disposal of one of the Group's investment.

On the other hand, the Group has taken an initiative to make a substantial provision on its investments. This is in line with the prudent attitude of the Group's management in view of the downturn in portal valuation, even though they are already operating at a profitable angle. As a result, the Group has recorded a loss from operations of HK$22,072,000, including the provision of investments of HK$25,500,000, comparing to the loss of HK$1,845,000 for the corresponding period last year.

With the various placements and rights issues conducted, the Group is in a net cash position and has paid off its various bank borrowing. Consequently, the finance costs has reduced substantially from HK$757,000 for the 6 months period ended 31st December, 1999 to the bank charges of HK$23,000 only for the 6 months period ended 31st December, 2000. The Group is basically debt free.

A net loss of HK$18,840,000 was recorded for the period, including the share of loss of an associate of HK$567,000, comparing the net loss of HK$2,602,000 for the corresponding period last year. This is primarily due to the management's conservative to make a provision on its investments in view of the downturn in the valuation and is no way relating to the operation even in a profitable angle. If no provision on investments had been made, the Group was recorded a net profit of HK$6,660,000 for the current period.

Loss per share is HK0.055 cents for the period ended 31st December, 2000 comparing to the loss per share of HK0.018 cents for corresponding period ended 31st December, 1999.

Furthermore, the net assets value of the Company is around HK$0.46 per share after share consolidation (please refer to "Business Review" section for more information) which represents a premium of 291% over the market closing price of HK$0.158 per share as quoted on the Stock Exchange on 23rd March, 2001. The Company is extremely undervalued.

Business Review:

The operating environment remained difficult. Sales of the computer related products remained roughly the same due to the keen competition in the market and the management's strategy to focus on the higher profit margin items, giving professional advice as to the future trend of the industry, while at the same time, prudent in selling only to creditworthy customers. This is to achieve a higher profit margin and to avoid running into excessive credit risk. Concurrently, the Group is able to take advantage of the booming demand, i.e. the increase in price of the components; hence, a higher profit margin has been reaped.

During the review period, the growth pace of some of the Group's investments have also been affected by the general business climate and the significant reverse in perception of IT related industries/companies; thereby, hastened the planned growth pace. Yet, as the revenue models of the Group's investments are on the prudent and/or the infrastructure side and that the Group's ventures are basically inter-mingled; hence, can share the overhead. Consequently, some of them have already started contributing to the bottom line, illustrating the successfulness of the Group's management in short-listing investment-worth companies.

On the other hand, as the market's perception of the valuation of portal companies has diminished a lot, the Group has prudent to make a provision on its investments. Yet, the management would like to emphasis that those invested companies are operating at a profitable and improving angle. The only reason for the provision is the lower market valuation model given to these style of companies at the present moment vis-a-vis a year ago.

The Group's 70% owned subsidiary, Michael Lai Production Holdings Limited, is also progressing smoothly.

During the period under review, the Group has acquired 100% shareholding of Ancora Worldwide Limited ("Ancora"), the 1st operator of Chinese Wireless Application Protocol ("WAP"). This WAP content provider through integrating the technology of the founders to reality and marketable products, has been translated to include the WAP enabler as another stream of revenue. Potential is promising (please refer to "Outlook and Corporate Strategy" section for additional information).

Pursuant to a special resolution passed in a special general meeting held on 22nd March, 2001, the ordinary shares of the Company were consolidated on the basis of 80 shares into 1 share and the paid up capital of the issued shares were reduced from HK$0.08 per share to HK$0.01 per share.

The Group's Liquidity and Financial Resources:

Subsequent to the reversal from negative equity to a positive one during the last fiscal year end, the Group has successfully completed another rights issue exercise in October 2000. The equity base of the Group has been enhanced by another HK$200 million and the cash flow much enhanced.

During this interim period, proceeds from the rights issue of around HK$200 million has been vested for the acquisition of Ancora as to HK$75 million, reduction in bank borrowings, investment in the Digital Nunet Exchange Limited ("Digital Nunet", please refer to "Outlook and Corporate Strategy" section) and as working capital.

Following the said exercise, the Group has been able to repay all its bank liabilities and vest with good net cash position of HK$157 million. The Group is proud to say that excluding the minimal bank loan, the Group is a basically self-financing.

The Group would continue adopting its prudent policy for treasury products – treasury products would enter into only when it can hedge the Group's exposure. In fact, as the Group's main revenue and outflow are either in Hong Kong Dollars or United States Dollars, the Group does not enter into any hedging instruments agreement.

Saved as disclosed in the financial statements for the period under review, the Group has no other contingent liabilities.

Outlook and Corporate Strategy:

Captioned interim period is the 1st half of the whole fiscal year under the new management and we understand that shareholders are evaluating the suitability of the management in the running of this technology company.

Instead of running blindly after those "bubble" companies, the management has clearly identified the following strategies:

- fundamental; and
- inter-related for synergy possible.

Needless to say, the Group would continue adopting the prudent approach of investing only in promising companies that we/partners have the partners/ necessary expertise and are able to monitor.

Humbly speaking, the path is not simple. The translation from a traditional trading concern to technology orientated fundamental industry takes time. This is particular so as Hong Kong lacks of technology people. Additionally, the management understood it lacked of the time for thorough evaluating as the management focussed more on the cleaning exercise during the initial taking over period of early 2000. This together with the insufficient colleagues of suitable caliber has led, the management has to follow suite and act as a co-investor in investment projects.

Through the increasing experience and the gradual building up of colleagues of relevant fields, the Company has been more proactive in its investment strategy. This is illustrated by acquiring the whole interest of Ancora, the 1st Chinese WAP provider; and as the majority owner (55%) of Digital Nunet, the Greater China Internet Data Center provider.

Irrespective the success demonstrated so far, the management would remain prudent in investing on promising internet infrastructure related projects ("B2B" = Back to Basic) and avoiding over-sketching the available manpower that may result in insufficient control.

Emphasis would be focussed on leading the invested companies in deriving the right strategy/directional growth for prosperity.

Consequently and in the view of the available management resources, the Group would presumably not invest in additional projects until the above investments have been kept at the proper growth track.

This strategy pays off. Despite the poor market sentiment during the 2nd half of year 2000 that extends to the current period, the management of the Company is proud to report that, the Group, under the current management, has picked up again its momentum.

We are confident that the business outlook of the Group is even more promising.

The continuous success of the Group during the last two consecutive half year since the current management taking over the company by the end of 1999, despite the downturn in a number of dot com companies is an illustration of:

a) the prudent nature of the management; and

b) the viable revenue model of the investee companies.

In fact, no technology can be deemed truly successful unless, and until, it facilitates revenue-generating services. Under this classification, most of the Group's investments can be considered "successful".

About the Group's investment on Ancora, the Chinese WAP content provider and enabler, i.e. the Wireless Application Service Provider ("WASP").

Emphasis, on the content side, would be placed on niche market of high suitability for w-internet portals as well as high frequent and duration for accessing the internet. This includes on line trading, m-commerce, location-related info searching.

While emphasis on the service provider area includes mobile integration with back office software such as e-mail programs, personal information management applications, dispatching applications for field sales and service personnel, and access to a variety of content services. Additionally, the goal is to set the standards for seamless provision of content and services that flow between the mobile network, the internet & onto the handset. The ultimate goal is to find the enabling technologies to translate the WAP stack into a compelling end-to-end value proposition.

Of another interest would be the Greater China Internet Data Center, a joint venture between the Company and Nunet Inc. with the full support from Telhope Information Development Company Limited, a leading People Republic of China (the "PRC") telecom runner.

In line with the above mentioned prudent strategy, the management has decided to divide the project to phases, starting with a small scale at Beijing and Hong Kong to test the market, build up clientele base and to generate revenue to the venture (instead of just "burning" money). Expansion of the Hong Kong data center and other data centers at respective strategic locations at the PRC would be implemented according to the progress.

Different from the traditional data centers focusing on hosting/co-location (de facto "equipped" real estate project), the revenue would be generated from provision of bandwidth and/or professional service. Despite the setting up of the data centers is only underway, the Board is pleased to keep the shareholders informed that anchor customers have already been solicited evidencing the strong support from our joint venture and technical partner. It is the belief of the management that the captioned data center would become the 1st positive net income data-center.

The medium goal of the management would continue focussed on "fundamental" IT projects with major emphasis on telecom related projects via taking advantage of the ties with relevant authorities and the technology partners from the Peking University.

Looking ahead, with the gradual maturation of investment projects, the Board is reasonably confidence that the growth trend would persist and a favorable Returns on Investment would be presented to shareholders. The Company's Intrinsic Value would deserve a re-rating. Nonetheless, as depicted at the "Financial Review" section, the net assets value of the Company is at 291% premium to the market value. Management is confident that the Company would deserve a much higher valuation.

Appreciation:

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication, the continuing support of its business partners and the Company's shareholders.