

Chairman's Statement & Management Discussion and Analysis

To Shareholders,

On behalf of the Directors, I would like to present the Group's results for the year ended 31st March, 2001.

FINANCIAL RESULTS

The Group's audited consolidated loss for the year ended 31st March, 2001 was HK\$366.7 million, compared with last year's attributable loss of HK\$456.2 million. Following the disposal of most of the Group's loss-making businesses and highly debt-ridden assets to an ex-Director of the Company during the year, the operating results of the Group had been improved slightly. However, the Group's financial liquidity remained tight and the Group was affected by a series of litigations caused by the Group's failure to fulfill certain contractual obligations. The related losses/compensation amounted to HK\$133 million. Moreover, in view of continuous sluggish property market in the mainland of the People's Republic of China (the "PRC") and the downturn of internet-related business in global market, the provisions totalling HK\$118.8 million had been made in respect of the Group's properties and certain investments during the year.

On the other hand, the overall financial position of the Group had been improved as well during the year. As at 31st March, 2001, the Group's bank and other borrowings amounted to HK\$336.5 million, compared with an amount of HK\$1,199.7 million last year. Accordingly, the Group incurred less finance costs during the year. In addition, as at 31st March, 2001, the Group had no capital commitments for property development projects as a result of the disposal of those projects during the year.

CHANGE OF NAME

In August 2000, the name of the Company was changed to B-Tech (Holdings) Limited (百得科技控股有限公司) to reflect its commitment to the diversification of business of the Group into the investments in high value-added technology related businesses.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

The year ended 31st March, 2001 has turned out to be another very challenging year for the Group. The Asian financial turmoil in the previous financial years heavily affected the Group's businesses and performance. In view of this and in order to achieve better performance, the Group restructured its core businesses through the disposal of the Group's subsidiary companies which are engaged in property development and investments, and the operations of supermarkets, department store, the restaurants and entertainment businesses in the PRC and had caused severe losses to the Group in the past, to an ex-Director of the Company for a cash consideration of HK\$9.8 million and certain non-cash consideration. The disposal was duly completed on 31st July, 2000.

During the year, the Group diversified its business into the investments of high value-added technology related businesses, such as information technology and bio-technology, through the acquisition of non-controlling interests in certain companies.

2. Summary of the Group's main businesses and investments

(A) *Property related businesses and investments*

Guangzhou Le Palais (formerly known as Dong Hu Imperial Garden) is situated in Guangzhou city of the PRC and designed as a luxury residential property complex complemented by a club house with sports facilities. Facing the Pearl River and the Dongshan Lake Park, the property has a total gross floor area of about 110,000 square metres. A selling campaign is expected to be launched in late 2001. The Group holds 30% interest in Guangzhou Le Palais.

Level 1 to 3 and certain carparking spaces of Harvest Building, which were acquired by the Group in late of last year, is situated at No. 585 (formerly known as No. 525) Longhua West Road, Xuhui District, Shanghai, the PRC. Completed in 1995, Harvest Building comprises two office buildings of 16 and 20 storeys, respectively, on a 3-storey commercial podium and a 2-level basement. The commercial podium portion of the property has a total gross floor area of approximately 8,107.31 square metres. The property is currently leased for a term expiring in February 2003 at a gross monthly rent of Reminbi 850,000 exclusive of management fees and utilities charges, with options to renew for further terms at tenant's discretion.

(B) *During the year, the Group invested in the following high value-added technology businesses in view of their capital gain potentials*

Telecommunication

During the year, the Group acquired a 22% equity interest in a telecommunication company whose principal business is the distribution of international pre-paid phone calling cards, the provision of video conferencing, internet access and unified messaging services to, amongst others, overseas Filipino workers residing outside the Philippines.

Organic fertilisers

During the year, the Group acquired a 25% equity interest in a bio-technology company which holds an indirect 80% interest in a joint venture company engaging in the production of organic fertilisers in the PRC. The joint venture company owns the technical know-how in formulating organic fertilisers for farming. The new formula has gone through extensive trials in farmland of different provinces and the results have been proven satisfactory. In view of the fast growing market of organic fertilisers in the PRC, the said bio-technology company is considering expansion plans to produce the fertilisers massively.

Manufacture and distribution of lottery-related hardwares and softwares

During the year, the Group acquired a 20% equity interest in a lottery technology company which has an indirect 65% interest in a joint venture company in the PRC, which primary engages in development, sales, leasing and distribution of lottery-related hardwares, softwares, operating and management systems in Fuzhou and other provinces of the PRC.

Other technology investments and operations

During the year, the Group also took minority stakes in various high value-added technology businesses, including:

- (a) A software developer designing, producing and distributing business application softwares for application service providers in Hong Kong and the PRC; and
- (b) A Microsoft certified solution provider developing and providing Internet enabling technology solutions and applications, offering internet professional services encompassing end-to-end internet solutions that range from application development, implementation and hosting to website development, management and investment.

3. Prospects

The year ended on 31st March, 2001 saw a steady and committed shift of the Group's business focus from property development and investments to investments in high value-added technology related businesses. The Group will continue such approach of investing in technology related businesses. At the same time, the Group is still involved in certain ongoing property related projects.

Subsequent to the year end date, vLink Global Limited ("vLink"), through its subsidiary, has become a 33.3% shareholder of the Company. vLink, being a company listed on The Stock Exchange of Hong Kong Limited, has expressed its intention to assist the Group to reactivate and continue its existing businesses and commitments and to explore other suitable businesses.

As announced, vLink, through its subsidiary, has also advanced loans to the Group to alleviate the Group's liquidity constraint. As the operations of the Group's various projects return to a normal level, it is expected that the short-term financial constraints affecting the Group will be further relieved.

The Board is optimistic that the performance of the Group will continue to improve in the next financial year.

4. Liquidity and financial resources

As mentioned above, the Group disposed of most of the Group's loss-making business and highly debt-ridden assets to an ex-Director of the Company during the year. Following the disposal, the Group's net current liabilities position had been restored into a positive level.

As at 31st March, 2001, the Group's total assets and borrowings were HK\$561 million and HK\$337 million, respectively. The borrowing of the Group were made in Hong Kong dollar, except for an other loan of RMB16 million, and accordingly, the exposure to fluctuations in exchange rate is minimal. The gearing ratio (total borrowings/total assets) was 60%.

The Group's principal source of funds from operating activities is generated from rental income. In addition, the Group had made use of the capital markets to meet its funding needs. A summary of placement of the Company's new shares from 1st April, 2000 to end of year are set out below:-

Date of allotment	Number of new shares placed	Placing price per share (HK\$)	Net proceeds (HK\$)
3rd May, 2000	910,000,000	0.050	44,600,000
8th June, 2000	1,373,000,000	0.031	41,700,000
26th September, 2000	1,640,000,000	0.018	28,782,000
27th November, 2000	2,000,000,000	0.015	29,228,000
	<u>5,923,000,000</u>		<u>144,310,000</u>

The net proceeds were used for financing general working capital requirements, reducing indebtedness and investing in new investments. In addition, on 7th November, 2000, 4,319,986,000 new shares of the Company at HK\$0.01 each were issued to acquire equity interest in another investment. On 28th March, 2001, 3,421,220,000 new shares of the Company at a price of HK\$0.01 each were issued in exchange for 42,765,250 new shares of vLink at a price of HK\$0.80 each.

5. Contingent liabilities

Details of the Group's contingent liabilities as at 31st March, 2001 are set out in the note 31 to the financial statements.

6. Capital structure

During the year, the authorised shares capital of the Company has been increased to HK\$500,000,000 divided 50,000,000,000 shares of HK\$0.01 each. Such increase will give the Company greater flexibility to raise funds in the capital market.

Finally, I would like to take this opportunity to thank all my fellow directors and members of staff for their dedicated services, support and contribution during the year.

Wong Chun Hung, Vincent
Chairman

Hong Kong, 23rd July, 2001