MANAGEMENT DISCUSSION AND ANALYSIS

Financial Summary

The Group has been operating in a difficult business environment in the year under review. Turnover of the Group amounted to HK$11.7 million (2000: HK$19.1 million), showing a decrease of 38.5% as compared to that recorded for the previous financial year due to discontinuous of the department stores operation and decrease in rental income as a result of poor property market both in Hong Kong and Shanghai. After deducting the cost of sales and services, the Group had a gross profit of HK$8.2 million (2000: HK$17.5 million), showing a decrease of 53.1% of the previous financial year.

In order to reduce the financing costs and lower the gearing ratio, the Group has been disposing certain properties of the Group to repay the Group's borrowings. During the year under review, we successfully disposed of a subsidiary which held a property in Kau Pui Lung Road, To Kwa Wan and resulted a gain on disposal of a subsidiary, amounted to HK$38.0 million. As the Group targets to dispose of its properties in Hong Kong and Shanghai in the coming years and focuses its resources on telecommunication business operations, management has confidence that the Group's results can be substantially improved in the near future.

The net loss, including finance costs and share of losses of associated company and jointly controlled entity, reduced from HK$66.3 million in previous year to HK$64.8 million in current financial year. The net loss in current year mainly attributable to the revaluation deficit on investment properties of HK$35.5 million and provision for deposits for investment in jointly controlled entities of HK$17.0 million.

There were three placements during the year. The Company placed and issued 2,297,377,680 new ordinary shares at HK$0.051 per share, 55,000,000 new ordinary shares at HK$1.2 per share and 58,910,000 new ordinary shares at HK$1.2 per share in May 2000, September 2000 and December 2000 respectively. The net proceeds of approximately HK$251.8 million were used for the Group's expansion and to repay the Group's indebtedness.

As at 31st March, 2001, the Group's financial position was solid and healthy. The working capital changed from a net current liabilities of HK$195.5 million in previous financial year to a net current assets of HK$49.4 million in current year. The bank balances and cash held amounted to HK$61.3 million which is 50 times over the previous financial year. The outstanding bank borrowings was substantially reduced from HK$166.2 million to HK$57.5 million and the gearing ratio calculated by all long-term and short-term borrowings over the shareholders' funds was substantially improved from 21 to 0.3.

Charges on Group Assets

As at 31st March, 2001, total bank borrowings was HK$57.5 million. Out of the total bank borrowings, HK$55.5 million was secured by fixed charges on all the receivables, revenues, investments, leasehold properties and by floating charges over all other assets of the Company and its subsidiaries in Hong Kong. The remaining bank borrowings of HK$2.0 million was secured by the freehold land and buildings situated in New Zealand.

Capital Commitments

As at 31st March, 2001, the Group have committed to increase the investment in the associated company and purchased a property. The investment in the associated company, amounting to HK$9.5 million, was authorized by the board but not contracted for. Apart from a deposit paid for the purchase of a property already accounted for in the financial statement, there is a capital commitment amounting to HK$2.0 million.

Contingent Liabilities

As at 31st March, 2001, the Group has provided guarantee in lieu of utility deposits to certain utility companies for providing utility services to certain investment properties owned by the Group.

Business Review

➢ Real Estates

In the year under review, the Group has entered into a sale and purchase agreement to dispose of an industrial building in Hong Kong for HK$20.4 million, and the disposal was completed on 18th April, 2001. The remaining investment properties in Hong Kong and Shanghai amounted to HK$134.5 million. It is the present intention of management to relinquish these remaining property interest at market price to finance new business development and for general working capital purpose.

➢ Multimedia IT Education Joint Venture

In the past year, as part of the Group's strategy of refocusing its business on the telecommunications area, the Group has decided to scale down investments in multimedia content business. On 20th June, 2000, the Group entered into joint venture agreements with Beijing Liyang TV Production Centre and Beijing Liyang Advertising Company Limited respectively to establish production and advertising joint ventures in the PRC, in connection with a project of producing and marketing multimedia IT education software targeted at the country's high schools. As a result of our strategic refocus, changes in market conditions, and absence of government approval of the advertising joint venture, the Group has decided to terminate its investment in this project. Out of total payments of HK$63 million to this project, HK$3 million was returned to the Group, HK$43 million was remitted to the jointly controlled entity as working funds and HK$17 million was used by the joint venture partner to produce related video tapes and books. For prudence sake, we have made full provision against HK$17 million. However, we are confident to recover a major portion of it next year. In order to protect the shareholders of the Company, the major shareholder of the Company, Uni-tech International Group Limited, has provided a guarantee to the Company for the recovery of the full amount of the said HK$17 million.

➢ Wanbao Telecom

On 4th August, 2000, the Group acquired from China Motion Telecom Group ("CM Telecom") a 36% equity interest in Wanbao Telecom (H.K.) Co., Ltd. ("Wanbao").

Wanbao was granted the External Telecommunications Services ("ETS") licence in March 2000 with IDD access code 1651 and 1683. Within the authorised business scope of the licence, Wanbao started with concentrating on capturing inter-boundaries call traffic between Southern China and Hong Kong.

In order to enjoy maximum operational efficiency, Wanbao neither established huge organization structure nor carried on business directly. A majority part of Wanbao's operations, including sales, marketing, customer service, customer account handling, network operation and maintenance were sub-contracted to China Motion Netcom ("CM Netcom"), a venture business between CM Telecom and the Group. CM Netcom would receive commission and service fee for the businesses conducted and the services performed.

Capital Investment and Capacity. Up to 31st March 2001, Wanbao had a total investment in telecommunication equipment amounted HK$12 million. It was expected that this equipment level could support call traffic volume up to 15 million minutes per month. To cope with the continuous business growth, at 31st March, 2001 Wanbao had an authorised but not contracted for commitment to invest an additional HK$4 million in switching system so as to increase the total capacity up to 30 million minutes per month. It is estimated that the next major equipment expenditure will be near the end of 2001, aiming at increasing the total capacity by another 15 million minutes per month.

Networking Resources. The telecommunication network was built by leasing dedicated lines from local FTNS operators.