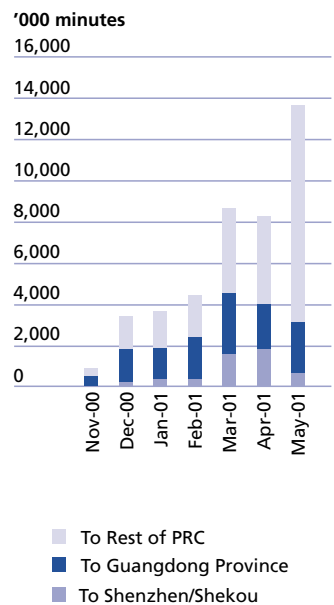


As at 31st March, 2000, total networking costs amounted to HK\$0.4 million per month. As business continue to grow, starting from April 2001, an additional international circuit was leased, networking costs was further increased by HK\$0.5 million per month. After that, the networking set-up should be sufficient to support traffic volume up to 30 million minutes per month.

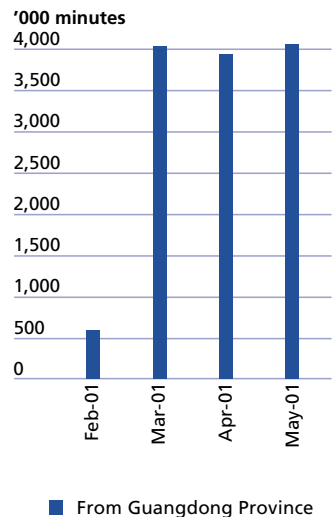
Call Traffic Statistics. Upon completing the installation and testing of equipment in October 2000, Wanbao started to have outgoing traffic since November 2000 and incoming traffic since February 2001. The following is a statistics of the monthly call traffic till May 2001.

Competition and Prospect. It is expected that Wanbao's outgoing traffic to China will continue to grow steadily and ultimately Wanbao will become a major player in the market. With the business focus placed on Hong Kong and China telecommunications, Wanbao believes that the market will be driven by several important trends in the future. In addition to the continued strong growth in telecommunications and internet industry, there will be a gradual migration from fixed to wireless networks. Also, demand for broadband and integrated telecommunication services will gradually increase. Wanbao will keep on watching the market development and look for business opportunities that could provide favorable return to its shareholders.

Wanbao's Outgoing Call Traffic



Wanbao's Incoming Call Traffic



Future Focus

As stated in the Chairman's report, we have reviewed our earlier efforts at developing telecom, internet and multimedia businesses, analyzed current market conditions and future trends, and further identified the Company's competitive strength and core competences. As a result, we have strategically refocused our future business on telecom value added services (VAS) inside or for the Chinese markets.

Favorable and Major Transformation. China is one of the few countries in the world that are currently enjoying healthy economic growth. Telecommunications in particular is one of the fastest growing areas in China. China's anticipated WTO entry will further open up more room for foreign participation, especially in the VAS market in the near future.

China's communications industry achieved revenue of RMB162.34 billion (USD19.6 billion) in the first month of this year, surging by 24.8% year-on-year, according to latest statistics released by the Ministry of Information Industry ("MII"). By the end of April 30, 2001, China has 157.4 million fixed-line telephone users, with 13.215 million newly added during the past year, according to the MII statistical report. Mobile communications sustained fast growth, with 19.932 million new users. So far, China has 105.198 million mobile phone subscribers, being the second largest wireless market in the world. MII also said that the number of data business users in China has reached 11.457 million by the end of April, increasing 17.5% year-on-year. Among the data released by MII it is stated that there are 10.8 million Internet account subscribers, 2.4 million more than the figure reported at the end of last April.

In 2000, China telecommunication data as follow:

Table 1: China telecommunication development status in 2000

	Increment <i>(10k users)</i>	Increment <i>(%)</i>	Total <i>(10k users)</i>
Local Phone	3,560	32.8	14,400
Mobile Phone	4,197	97	8,526
Internet users	614.4	205.4	913.2
Pager	190	4.1	4,864.1
Public Phone	56.5	18.8	357.3

Source: Ministry of Information Industry

In 2000, China telephone popularity as follow:

Table 2: China Tele-density in 2000

Project	Tele-density
Overall	20.1%
City Phone	39%
Mobile Phone	6.7%

Source: Ministry of Information Industry

Explosive Increase in Demand for VAS. China has recently experienced astonishing growth in newly added telephone users and mobile/internet subscribers. Alongside the leapfrogging developments in the telecom infrastructure, the consumers' demand for telecom VAS is expanding significantly; so is the carriers' and service providers' demand for enabling technologies, services and applications that utilize their capacity and enhance their competitiveness.

Potential Shareholder Support. Many of corporate shareholders are also major operators in the Chinese telecom market, such as China Telecom (Guangdong), China Mobile Group (Hong Kong). The addition of CITIC as our strategic shareholder, with its vast involvement in the telecom area in China and Hong Kong, further enhances our shareholders resource in the telecom area. As those shareholders are primarily focusing on telecom network infrastructure business, we have significant potential in leveraging this corporate network in developing VAS that depend upon and enhance the value of such network infrastructure. Our strategy is therefore to create or localize applications and services that are needed by the associated network infrastructure, or can be efficiently distributed by the associated network infrastructure to address significant market needs.

Focus on Selective Fields. Based on market potential and our competitive advantages, we have decided to focus on developing our core competence in only a few selective areas. In the context of our strategic refocusing, in the past six months, we have made efforts at preparing to develop telecom VAS in the areas of IP-enabled call center in partnership with financial service providers, broadband access, and software and integrated solutions primarily for carriers.

IP-enabled Call Center Business. The Company believes that, through its network of telecom shareholders, it enjoys availability and cost advantage in accessing telecom networks and bandwidth. It therefore has the potential of developing at the edge of such networks integrated solutions for services that will rely on and consume a considerable amount of telecom resources. IP-enabled call center business stands out to be a promising area. The Company's strategy is to two-fold in this regard: using cutting edge IP/voice technology in addition to human-assisted operations, and roll out services in partnership with anchor application service providers, especially those in the financial services area. The Company believes that such a telecom-based platform will create value as a distribution business for a variety of net-related services. With the eminent WTO entrance, China will allow foreign operators to participate in 50% of the Call Center Business, we are actively looking for Chinese Partners to address this opportunity.

Table 3: Revenue Forecast of Worldwide Telecommunication and Call Centre
(Unit: million USD)

	1998	1999	2000	2001	2002	2003	Increment
Worldwide	23,102	28,021	33,579	40,379	48,492	58,635	20.5%
USA	12,243	14,777	17,107	21,248	25,464	30,700	20.2%
Europe	6,486	7,917	9,500	11,379	16,591	13,365	15.6%
Japan	2,489	2,826	3,171	3,665	4,261	5,025	15.1%
Canada	707	916	1,104	1,426	1,786	2,206	25.5%
Asia	516	713	909	1,148	1,429	1,862	20.3%

Source: IDC