


MANAGING DIRECTOR'S REPORT

GROUP RESULTS

The Group's activities consist of provision of IT services, telecommunication infrastructure and investments in properties and stocks. For the year ended 31st March 2001, the Group's consolidated turnover was HK\$64 million (2000: HK\$185 million) and operating profit was HK\$23 million (2000: Loss of HK\$35 million). The decrease in turnover (from the previous year) was due principally to the disposal of the Group's U.S. properties portfolio at the end of the previous fiscal year, as revenues from those properties were no longer reflected in this year's results. After taking into account the results of the Group's associated companies, finance costs, minority interest and taxation, the consolidated profit attributable to shareholders was HK\$195,000 (2000: Loss of HK\$90.7 million). The Board of Directors has resolved not to pay a final dividend for the year ended 31st March 2001 (2000: Nil).

PIONEER ICONCEPTS LIMITED ("PIONEER ICONCEPTS")



Pioneer iConcepts, 55% owned by the Group and 45% by the management team led by Francis Ng, is the IT services division of the Group. Its services are in IT outsourcing, IT consultancy, system integration and geographical information system (GIS) application developments.

Due to the severe downturn in the world's capital markets (particularly affecting the technology sector), the twelve months ended 31st March 2001 was a difficult year for the IT services industry. It was also Pioneer iConcepts' first full year of operation. Despite the difficulties, the company achieved a turnover of HK\$24 million and an attributable operating profit of HK\$5 million in the fiscal year.

Based on multi-year service contracts, Pioneer iConcepts provides IT outsourcing services to several major multinational companies for their IT help desk and 24x7 management of corporate data centers. Pioneer iConcepts also provides IT helpdesk services to major local manufacturers.

During the year, Pioneer iConcepts successfully implemented notable projects for its customers, including the development and implementation of e-procurement system, e-logistics system, GIS applications, ERP system integration, as well as merchandizing / inventory control systems. To strengthen its competitive advantage and service offerings, Pioneer iConcepts also formed strategic alliance with prominent industry partners including iPlanet, Sun Microsystems, Compuware, ESRI, ICUS, and InnerFrame.

MANAGING DIRECTOR'S REPORT

In addition to providing services to its customers, Pioneer iConcepts is also a shareholder (35%) and technology partner of iShipExchange, an Asia-based leading e-procurement solutions provider for the maritime industry. Other shareholders in iShipexchange include Fairmont Shipping (Hong Kong), Marubeni Corporation (Japan), Keymax Corporation (Japan), and Command Line Corporation (US). As its technology partner, Pioneer iConcepts developed a proprietary e-procurement system for iShipExchange and in early 2001, iShipExchange successfully launched its web-based procurement solutions for the shipping industry. By 31st March 2001, registered users consisted of 27 ship operators as well as 427 suppliers in US, Canada, Japan, Korea, Hong Kong, China, Taiwan, Philippines, Singapore, and Malaysia. The share in the first year results of iShipExchange by Pioneer iConcepts was a loss of HK\$4.1 million for the year. Due to its start-up nature, iShipExchange is not expected to be profitable in the near future.



MANAGING DIRECTOR'S REPORT

Looking ahead, we believe that this year will continue to be challenging for the IT services industry. With worldwide economic slowdown, the burst in the Internet bubble, and extreme weakness in the capital markets, even healthy companies are generally cutting IT spending. We therefore forecast that while Pioneer iConcepts' business will continue to grow, the growth will be modest in the coming year. In the next twelve months, Pioneer iConcepts will focus on the continued development of its core services products and the expansion of its IT outsourcing business.

GLOBAL GATEWAY, L.P. ("GLOBAL GATEWAY")

The Group's telecommunication infrastructure business is conducted through Global Gateway, a 20:80 partnership between the Group and Morgan Stanley Real Estate Funds, formed with initial equity capital plan of US\$200 million to develop and operate telecom carrier hotels in the Pacific Rim region (Asia and western U.S.). Telecom carrier hotels are specialized real estate facilities providing mission-critical infrastructure services to companies in the telecommunications, technology and Internet industries. The Group is the managing partner contributing management and technical expertise to the joint venture.



Inside a Global Gateway

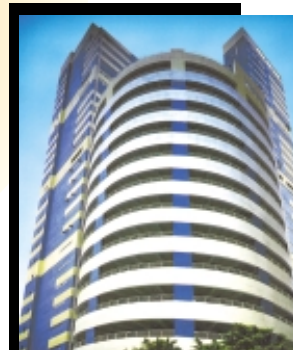


Global Gateway in Seattle



Global Gateway in San Diego

Global Gateway in Singapore



Global Gateway in Hong Kong

MANAGING DIRECTOR'S REPORT

Global Gateway has total assets of HK\$704 million as at 31st March 2001, financed by equity and debt capital. The Group's investment in Global Gateway was HK\$ 60 million and accounted for as an investment in associates. The Group's share of results of Global Gateway was a loss of HK\$7.6 million for the year as the venture was still in its initial built-out period.

As of 31st March 2001, Global Gateway has developed facilities in Hong Kong, Singapore, Seattle and San Diego. These facilities have a total of 979,000 square feet. The Singapore facility is a 60:40 joint venture between Global Gateway and Ascendas Land International Pte Ltd, which is a wholly owned subsidiary of JTC (Jurong Town Corporation, the Singapore Government's land owning arm) and a leading developer of technology and industrial parks in Asia.

In addition to the four locations above, Global Gateway is also in varying stages of acquisition or development of facilities in Tokyo, Seoul, Taipei, Sydney, Shanghai, as well as certain cities in the U.S. While Global Gateway has equity capitalization plan of US\$200 million from its partners, we have invested prudently from the beginning. As the management is keenly aware of the downturn in the telecommunication and technology industries, Global Gateway has only invested 19% of its planned capital as of 31st March 2001.

Much like the IT services industry, we foresee a slow year ahead for the telecom infrastructure business. The same macro-economic difficulties affecting the IT services sector are also contributing to the cutback in spending by the world's telecom companies. Some market players that expanded quickly last year are facing difficulties and their facilities are now available at attractive pricing. As a result, the challenging market environment has also created a tremendous opportunity for us.

PROPERTIES AND STOCK INVESTMENTS

The Group's investments in properties and stocks continued to generate steady recurrent income. Turnover from properties rental proceeds was HK\$29 million (2000: HK\$147 million) and attributable operating profit was HK\$13 million (2000: HK\$69 million) before finance costs and taxation. The change from previous year was due to the disposal of the Group's US properties portfolio in February 2000.

For the fiscal year, dividend income from stock investments and interest income received were HK\$6 million and HK\$5 million respectively (2000: HK\$9 million and HK\$2 million respectively).



MANAGING DIRECTOR'S REPORT

FINANCIAL RESOURCES, LIQUIDITY AND CONTINGENT LIABILITIES

In order to prepare for its investment in Global Gateway, the Company issued 250,890,972 new shares in October 2000 for net proceeds of HK\$162 million. At 31st March 2001, the Group has total net assets of HK\$584 million (2000: HK\$420 million) and free cash balance of HK\$76 million (2000: HK\$76 million), with outstanding bank indebtedness of only HK\$1 million (2000: HK\$109 million). Unutilized secured banking facilities made available to Group companies amounted to HK\$160 million.

The Group's overall treasury policies focus on cost efficient funding of the Group and on managing financial risks. At the balance date, the debt to equity gearing ratio was 0.2% (2000: 26%). The contingent liabilities including guarantees and commitments were HK\$9 million (2000: HK\$ 34 million).

EMPLOYEES

At 31st March 2001, the number of salaried staff was 69. The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options are granted by the Board of Directors to staff members as appropriate.

OUTLOOK

Since the last quarter of 2000, the growth in telecommunication, IT technology and Internet industries were affected by the dramatic decline in the world's equity markets. More recently, there are signs of economic slowdown in the United States and of worsening economic conditions in Japan. The breakneck pace of network building by telecom companies in the past few years, pushed forward by the seemingly cheap and abundant capital, has left the world with a temporary bandwidth glut. Despite the prevailing environment, we still believe that the world's future economic growth will continue to be led by the applications of Internet and telecommunication technologies. We also believe that the so called "bandwidth glut" will be soaked up far quicker than people can imagine by newly developed technology applications, similar to the growth in computing capacity in the 80's and 90's.

With a strong financial position, the Group and its operating units are in a good position to take advantage of attractive opportunities in the market. Our strategy is to adopt prudent expansion in the IT services and telecom infrastructure businesses while maintaining a conservative financial position of the Group.

MANAGING DIRECTOR'S REPORT

APPRECIATION

On behalf of the Directors, I would like to express our sincere gratitude to all the employees for their hard work and contribution throughout the year.

Kenneth Gaw

Managing Director

Hong Kong, 19th July 2001

