BUSINESS REVIEW

Operating Results

For the year under review, loss attributable to shareholders was substantially reduced from approximately HK$323 million last year to approximately HK$174 million this year. The improvement was mainly due to the decline in the finance costs resulted from reduction of bank loans and interest rate, and improvement in diminution in value and loss arising from disposal of properties as opposed to the same in the preceding year.

During the year under review, turnover of the Group fell from approximately HK$131 million last year to approximately HK$58 million this year, representing a decrease of 56%. Proceeds from properties held for sale became the major source of income to the Group during the year ended March 31, 2002, amounting to approximately HK$36 million, accounting for 62% of the total turnover of the Group. The amount, when compared with the previous corresponding figure of approximately HK$105 million last year represented a drop of 66%. Such decrease was attributed to the continued decline in the demand of commercial properties in the weak market sentiment now prevailing.

Income derived from rental was approximately HK$18 million, accounting for approximately 31% of the total turnover of the Group, and which represented a decrease of 12% as compared to that of the previous year. The Directors considered the decrease was mainly attributable to the drop of rental value following the down turn of the economy. Building management and agency fee made up the remaining 7% of the Group's turnover, representing a decrease of 12% over the last year figure.

Liquidity and financial conditions

The Group was operating in a difficult business environment owing to the unfavourable economic climate since the Asian financial turnmoil. Due to the continued decline in the demand and price of commercial properties in Hong Kong, the Group had suffered losses which were largely attributable to losses arising from the disposal of properties and finance costs. The Group had therefore experienced liquidity difficulties; events of default occurred under certain bank loans and as a result, the relevant bank borrowings became repayable on demand and the Group was dependent upon the continued support of its bankers. Following the Group's continued efforts to negotiate with the Group's bankers for a compromise of its indebtedness and rescheduling of its borrowings, the Group agreed with certain bankers of the Group to restructure its indebtedness. The restructuring was successfully implemented before the year ended March 31, 2002 and as a result, level of the Group's indebtedness was reduced by about HK$340 million, bringing the total bank liabilities of the Group down to approximately HK$269 million. The total bank borrowings will be due, as to approximately HK$220 million repayable within one year and the remaining of approximately HK$49 million repayable between two to five years. The gearing ratio, defined as total bank borrowings over total assets of the Group, was 51% as at March 31, 2002.

Significant events or transactions

Apart from the effort we had put on the debt restructuring, the Company had been actively seeking external funding by placing its new shares to independent and strategic investors. To this end, the Company had raised approximately HK$99 million in aggregate during the year under review which had been used for general working capital.

Consistent with the Company's intention to diversify its investment into the technology field which the Directors anticipate would offer vast market potential, the Company had made a number of investment decisions during the year. In October 2001, the Company acquired an approximately 1.99% interest in Hong Kong Satellite Technology Holdings Limited, a company the subsidiaries of which are principally engaged in the development of a satellite communications platform and the manufacture, assembly, marketing and sale of new commercial communications satellites. Subsequent to the year end date on May 3, 2002, the Company announced that it had entered into a conditional agreement with the same company to acquire a further 1.95% interest in its share capital which, if completed, would bring the Group's interest to about 3.9% of its issued share capital.

The Company also on May 1, 2002, entered into a conditional agreement to acquire 80% interest of the issued share capital of, and 80% of the shareholders' loan due by, a company the subsidiaries of which has acquired a 127,000 sq.ft. site at Tai Po Industrial Estate which, if proceeded with, will be used by the Group for providing satellite related communication services.

PROSPECTS

The Directors anticipate that there will be enormous opportunities in the fast-growing wireless communication markets and in particular broadcasting via satellite will be the dominant force in China's television industry in years to come. With the experience and knowledge of the Company's management and the expertise of the key personnel within the invested entities in satellite and telecommunications technology field, the Directors believe that the Group is able to capitalize the tremendous growth of the market, thereby maximizing the return for the best benefits of the Company and its shareholders as a whole.

By order of the Board
Chu Yu Lin, David
Chairman

Hong Kong, July 25, 2002