MANAGING DIRECTOR'S REPORT

BUSINESS REVIEW

For the year ended 31 March 2002, total revenues for the Group were HK$49 million (2001: HK$64 million) and operating profits were HK$8 million (2001: HK$20 million). The reduction in revenues and operating profits from last year were due principally to the decline in IT services income and the reclassification of an investment as a listed associate. During the year, the Group shared in net loss of associates of HK$19 million and had a net loss on disposal of assets less provisions of HK$41 million (2001: Profit of HK$3 million). In light of the prevailing weak economic sentiment and for the sake of prudence, full impairment provisions of HK$34 million were made for all our IT and venture investments. Taking into account the above mentioned one-time provision and share in net loss of associates, the Group's net loss attributable to shareholders was HK$53.5 million (2001: Profit of HK$195,000).

Properties and Stock Investments

For the year ended 31 March 2002, the Group's rental properties contributed revenues of HK$27 million (2001: HK$29 million) and operating profits of HK$15 million (2001: HK$13 million). In August 2001, the Group acquired the 13/F of New Mandarin Plaza in Tsim Sha Tsui at HK$40 million. The property is an office premise with approximate gross area of 19,500 sq.ft. and a 3-year lease term yielding 9.5% per annum.

During the year, dividend income from stock investments and interest income received were HK$4 million and HK$2 million respectively (2001: HK$6 million and HK$5 million respectively). The decline in dividend income was due to the re-classification of the Group's holdings in Siam Food Products Public Company Limited (the Group holds a stake of approximately 14.31% in the Thai listed company) as an associated company and accounted for using the equity method. As a result of the re-classification, Siam Food Products contributed share of profit of HK$7 million to the Group as a listed associate.

In the past 2 years, the Group invested about HK$20 million in Hong Kong & US venture companies, most of them are IT related. Although many of them are offering promising products and services, for the sake of prudence, the Group has made full provisions for all these investments in this reporting period.

Global Gateway, L.P. ("Global Gateway")

Global Gateway, the 20:80 telecom infrastructure joint venture between the Group and Morgan Stanley Real Estate Funds, currently owns and operates telecom carrier hotel facilities in Hong Kong, Singapore, Seattle, and San Diego (total of about 1 million sq.ft. of space). As at 31 March 2002, Global Gateway had total assets of HK$550 million. The Group is the managing partner contributing management and technical expertise to the joint venture.

During the year, Global Gateway completed all construction works at its facilities and no major new commitments were made. In Shanghai, Global Gateway has signed an MOU to lease and operate a 5,500 sq.ft. facility with a major local developer. The project is subject to the approval by local government authorities.

The Group's share of results of Global Gateway was a loss of HK$26 million. The disappointing result was due to the severe downturn in global telecom industry. Looking forward to the coming fiscal year, we anticipate the operating loss will be lowered as revenue is steadily increasing together with the reduction in interest expenses.

Pioneer iConcepts Limited ("Pioneer iConcepts")

Revenues attributable to Pioneer iConcepts (the Group's 55% owned IT services subsidiary) for the year ended 31 March 2002 were HK$17 million (2001: HK$24 million). This represents a 29% decline from the same period in the previous year. As a result, Pioneer iConcepts had an operating loss of HK$5 million for the period under review, compared to an operating profit of HK$5 million in fiscal year ended 2001. As discussed in the interim review, the sharp decline in the operating results was due to the extremely challenging market environment in which even healthy companies cut or postponed IT spending decisions. Indeed, during the year several major IT implementation projects were postponed by clients which would have made a substantial difference to our results. While the management had made cost adjustments in view of the business environment, Pioneer iConcepts was unable to reverse its loss for the period under review.

On a conservative basis, the Group made a full provision of HK$14 million for the goodwill of the IT businesses acquired by Pioneer iConcepts.

Financial Resources, Liquidity and Contingent Liabilities

At 31 March 2002, the Group had cash balances of HK$62 million (2001: 76 million) and unutilized bank facilities made available to Group companies amounted to HK$170 million. At the balance sheet date, the debt to equity ratio was 11% (2001: 0.2%) and the net debt to equity ratio was 0% (2001: 0%). The total debt outstanding was $56 million in HK currency (2001: HK$1 million). The contingent liabilities including guarantees and commitments were HK$9 million (2001: HK$11 million).

MANAGING DIRECTOR'S REPORT

Employees

At 31 March 2002, the number of salaried staff was 57. 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

Year 2001 had undoubtedly been an extremely difficult year for the telecommunications industry. With multi-billion dollars bankruptcy filings by many industry leaders such as Global Crossing, Exodus, Williams Communications, and others, the telecommunications and data center industries are in unprecedented turmoil. Our strategy is to focus on increasing the yield on our current portfolio while keeping a very prudent view on any market opportunity.

On 2 July 2002, an associated company held 50% by the Group (the other 50% held by the Gaw family) acquired 10.28% of Dusit Thani Public Company Limited ("Dusit Thani"). Dusit Thani is a company listed on the Stock Exchange of Thailand and is the leading owner and operator of hotels in the country. Dusit Thani has 20 hotels with about 5,000 rooms under its management (under the Dusit brand and the Royal Princess brand), of which 9 hotels are wholly or majority owned by the company. Of the 20 hotels operated by Dusit Thani, 16 of the hotels are located in major business and tourism centers of Thailand, 2 are in Indonesia, 1 is in the Philippines, and 1 is in Dubai. For the year ended 31 December 2001, Dusit Thani recorded audited revenue and net profit of Thai Baht 2,537 million and 341 million respectively. We believe that Thailand's economy is emerging from the Asian Financial Crisis and the tourism sector is particularly promising. This investment will give the Group a good exposure in that sector and we look forward to working together with the management and shareholders of Dusit Thani.

In the coming fiscal year, the Group will continue to look for further investment opportunities in hotels and properties.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all the employees for their contribution.

Kenneth Gaw
Managing Director

Hong Kong, 18 July 2002