Management Discussion and Analysis

FINANCIAL RESULTS

In the fiscal year from 1 April 2002 to 31 March 2003, the Group recorded a turnover of HK$230.3 million compared to HK$323.8 million in the preceding fiscal year, a decrease of HK$93.5 million, or 28.9 percent.

The shortfall in revenues affected all of the Group's operating divisions: sales and integration service, services income and contract income. As the operating activities of these divisions are intimately interconnected, the decrease in turnover is consistent across the divisions. The significant decline in turnover was caused by the change in the PRC government's policy regarding the development of the telecommunication industry. In addition, there was a reorganization of the state owned enterprises in the telecommunication sector. The capital spending of most of the customers, therefore, was put on hold during the year. As a consequence, orders decreased by 23%.

Gross margin for the fiscal year ended 31 March 2003 was HK$47.6 million, or 20.7 percent, compared with HK$59.1 million, or 18.3 percent, in the previous year. Loss attributable to shareholders for the year amounted to HK$86.5 million compared with a profit of HK$9.2 million in the previous year.

BUSINESS REVIEW

The Company is an investment holding company with core competence in the information technology industry. Hence, the financial results of the Group were negatively affected by two major factors: the global slow-down in the telecommunication sector and the adverse effects attributable to the financial markets, in particular those of Hong Kong.

While the Group has completed the development of the first generation of Very High-rate Digital Subscriber Line ("VDSL") products and VDSL-based network management software, the market demand for these products was much lower than expected. In spite of this, gross margin has increased by 2.4 percent year-over-year, due to intense management focus on application software and operations support system development projects that were more profitable. In October 2002, the Group obtained the "Certificate of Software Enterprise", issued by the Ministry of Information Industry in the PRC. The award was an acknowledgement of excellence, thus stressing the importance of information technology services as a major driver of the Group's revenues. The current focus on this business segment is expected to increase the Group's revenues and profitability and, concomitantly, strengthen its competitiveness.

Management Discussion and Analysis

SIGNIFICANT EVENTS

In April 2002, the Group signed a conditional agreement to acquire the entire issued share capital of Glory Choice Investment Limited. Awaiting the conclusion of the transaction, the Company's shares were suspended from trading on the Hong Kong Stock Exchange, effective 18 September 2002. After protracted negotiations, as no satisfactory agreement could be reached by the parties and, in view of the directors' intention to retain the Group's internal resources for its existing operations, the agreement was terminated. Trading was resumed in the Company's shares on 2 May 2003.

In July 2002, the Group signed letters of intent with Poly Southern Group Co. Ltd. and Shenzhen Xili Lake Holiday Resort for certain property development projects in the Special Economic Zone of Shenzhen. Due to the construction postponement of the planned Shenzhen Western Corridor, the Company stopped pursuing these projects.

MAJOR TRANSACTION

The Company entered into a conditional subscription rights agreement (the "Agreement") with BAPEF Investments II Limited ("BARING"), one of the investment vehicles of the Baring Group, pursuant to which a wholly-owned subsidiary of the Company has agreed to grant the subscription rights to BARING to subscribe for a maximum of 3,000 million shares of preferred stock of the subsidiary at HK$0.01 per share. The aims of the Agreement are to improve the Group's financial conditions by the cash consideration of the subscription, to gain synergy by working with the portfolio companies of the Baring Group engaged in the information technology sector and, to enhance the Group's earning base by penetrating into new markets. Details of the transaction have been stated in the circular of the Company dated 31 May 2003.

FUTURE PROSPECTS

The Group will continue the development of application software and system solutions principally for the telecommunications industry. The continued upgrading of the information systems of the enterprises in the PRC presents a healthy growth opportunity for the Company. The operating arm of the Group, TPTH, has been providing hardware and software solutions to telecommunication companies in the PRC. TPTH is now focusing on creating added value for its customers by offering them best-of-breed network and operating systems solutions by teaming up with international telecom software and IT solution providers. The Group has formed strategic alliances with leading edge international technology providers in order to offer its customers the best technology available in the global marketplace.

While strengthening the operations of TPTH, the Group has formed a new operating unit, Plus Financial Distribution Holdings Limited ("PFDH"), a wholly owned subsidiary. PFDH will tap into the substantial wealth management market in the PRC as a channel enabler and distributor. It will serve as a bridge between wealth management product producers and the financial services sector. PFDH will provide process and technology advisory services to banks, facilitating the efficient distribution of wealth management products. Notably, banks in the PRC are facing strong competition as the financial industry opens up further in consequence to the PRC gaining membership in the World Trade Organization. Both the banking and insurance industries are expected to expand at a rapid pace as the economy continues to grow and income levels rise. Consequently, there is a trend for tying banks and insurance companies together to cross-sell their products and services (known as "Bancassurance"). New forms of information technology infrastructure and operation technology are required by banks and insurance companies in order to utilize the inherent synergies resulting in strategic ties such as Bancassurance. Assisting the development of this strategic relationship presents a business potential of significant importance for the Group. From the perspective of banks, the benefits are additional income and reduced reliance on competitive spreads as the major source of income. The insurance companies benefit from the mass distribution channels of the banks and reap cost savings from the reduction of their massive traditional sales force. Combining strengths with TPTH and providing integrated IT and process outsourcing to its client banks, PFDH will open alternative distribution channels for retail banks in the PRC, such as direct telesales and telemarketing. The aim of PFDH is to become a one-stop solution-provider by offering to its clients wealth management product distribution capabilities, integrated with channel development, IT platform and customer service capabilities.

The directors of the Company are convinced that the partnership with the Baring Group and its portfolio companies will enhance the technology capabilities and strengthen the sales and marketing arms of the Company, leading to increasing turnover and profitability for the Group.

Management Discussion and Analysis

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2003, the Group had approximately 350 (2002: 400) employees. Total staff costs (including directors' emoluments) incurred during the year amounted to approximately HK$21 million (2002: HK$17 million). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and bonuses paid on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

The Company has a share option scheme (the "Scheme") whereby the board may at its absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares of the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the terms of the Scheme.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2003, the Group had net current liabilities of approximately HK$42.3 million, compared to the net current assets of approximately HK$13.8 million as at 31 March 2002. Such change is mainly due to the loss for the year.

The Group had total borrowings of approximately HK$53.8 million (2002: HK$60.1 million), of which approximately HK$4.7 million (2002: HK$14.2 million) was represented by bank loans and approximately HK$49.1 million (2002: HK$45.9 million) was represented by other borrowings. Total borrowings matured within one year, in the second year and in the third to fifth year, inclusive, amounted to approximately HK$48.8 million (2002: HK$51.4 million), approximately HK$2.1 million (2002: HK$2.6 million) and approximately HK$2.9 million (2002: HK$6.1 million), respectively. The Group had bank balances of approximately HK$6.8 million as at 31 March 2003 (2002: HK$8.1 million).

During the year, one of the Group's subsidiaries has secured banking facilities of HK$12 million from one of its principal bankers against a corporate guarantee provided by the Company and a personal guarantee provided by an executive director, Mr. Zou Yishang. The facilities have not been utilized up to the date of this report.

As at 31 March 2003, the Group's current ratio as ratio of current assets to current liabilities, was 0.77 (2002: 1.10)[#] and the gearing ratio, as a ratio of total liabilities to total assets, was 1.06 (2002: 0.78)[#].

restated from the 2002 published annual report as certain comparative amounts have been reclassified to conform with the current year presentation

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(Cont'd)*

During the year, the Company allotted 90,276,000 ordinary shares at consideration of HK$40,624,000 for the acquisition of 15,046,000 shares in Dynamic Holdings Limited. The Company also issued 32,504,000 ordinary shares at a conversion price of HK$0.2236 to the bondholders to convert the principal amount of bonds of US$900,000, together with some administrative charges. With regard to the outstanding principal balance of convertible bonds of US$1,800,000 as at 31 March 2003, the bondholder agreed with the Company to extend the maturity date to 31 December 2004.

The Group had limited exposure to foreign exchange rate fluctuation as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars, US dollars or Renminbi and the exchange rates of these currencies were relatively stable throughout the year.

PLEDGE OF ASSETS

Details of pledge of assets of the Company are set out in note 32 to the financial statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company are set out in note 34 to the financial statements.

LITIGATION

During the year, there were legal actions filed against the Company. Details of the legal actions are set out in note 35 to the financial statements.