MANAGEMENT DISCUSSION AND ANALYSIS

The financial year-end of the Group has been changed from 31 March to 31 December since December 1999. Accordingly, the financial results for the nine-month period ended 31 December 1999 are not directly comparable with the current twelve-month financial year. Turnover for the year was HK$878 million as compared with the last period of HK$223 million which only included the two-month results of New Media Corporation, a subsidiary providing telecommunications services which was acquired in 1999.

The Group recorded a loss of HK$205 million for the year, compared with the loss of HK$5 million for the nine months ended 31 December 1999. This loss is mainly due to a loss of HK$138 million on the e-commerce enabling technology business, a loss of HK$20 million on the club operations and a net deficit of HK$54 million on the valuation of the Group' s properties after the revaluation reserve of HK$365 million has been utilised.

TELECOMMUNICATIONS INCLUDING INTERNATIONAL PREMIUM RATE SERVICES ("IPRS")

The changes in senior management and board representation after last year's Annual General Meeting had an impact particularly on third-quarter operations, causing some loss of momentum, particularly in the Group's IPRS business, with a subsequent downturn in billable traffic volumes. It was not until the final quarter that the Group was able to finally assemble a professional management team to combat this situation, allowing traffic levels to be relatively stabilised by the end of the year. In addition, the Group was able to maintain its termination points and also increased its allocation of number ranges from some of these national telecommunications providers. A new five-year agreement for IPRS was entered into with the Government of Tuvalu and Tuvalu Telecommunications Corporation in December. Furthermore, the Group strengthened its global network with hardware and software upgrades, including a new system for handling IPRS traffic for the Asia-Pacific market.

As the Group looks towards the future, a number of discernible trends in the IPRS market are evident, among which some of the most significant are:

- increasing competition from existing and new IPRS providers;
- downward global pressure on international accounting rates for IPRS;
- a swing away from audio to data (Internet accessed video) products;
- with Internet access, a swing from international to domestic traffic

While these trends will put pressure on the Group's existing (primarily audio based) business, the Management is taking steps to combat or offset their effect, including:

- working with Information Providers to provide enhanced services and recognition of payment security;
- working with the national telecommunications providers that service the Group's termination points together with the international traffic carriers to support accounting rate levels;
- gearing up to provide for data services, with data handling equipment now installed in London, Toronto and Auckland;

- positioning the Group in terms of corporate and regulatory requirements to enter local domestic markets in various overseas countries.

Consequently, despite the difficult circumstances affecting the telecommunications business during the past year, the Management has responded to position the Group to be able to effectively address the market in the coming year.

INTERNET AND DIGITAL TECHNOLOGIES

Year 2000, particularly the latter half, has not been a good year for technology investments and companies worldwide. The precipitous fall in the value of stock of most technology companies in the USA, not only drastically reduced the ability of these companies to continue to accelerate their development plans, but also seriously undermined the willingness of potential customers for digital solutions, whether this be for distribution, payment or advertising, to commit resources for the acquisition and application of such products and services. Faced with this scenario, the Management took the prudent decision to safeguard shareholders' assets and to reduce exposure to risk in this market in the coming year. Consequently, and in accordance with the advice of the Group's auditors, certain investments and financial commitments in the technology area have either been written off, or had provision made for, in the current reporting year. These measures have allowed the Group to preserve cash. The Management perceives that the Group will therefore be in a better place to overcome the difficulties that may continue in the field of digital technology and that it will be better placed to take advantage of attractive acquisition opportunities that may arise under these market conditions.

CLUB OPERATIONS

There was a slight increase in revenue for the Hong Kong Hilltop Country Club while the Shanghai Hilltop Country Club experienced difficulty in business operation, and was unable to achieve the expected target. The Management projects that both clubs will continue to experience a difficult operating environment in the coming year and therefore, will implement plans for cost saving measures in an effort to improve efficiency and strengthen competitiveness.

SECURITIES

The Group recorded a dividend income of HK$8.6 million and a decrease of HK$2.5 million in the value of marketable securities at the balance sheet date.

LIQUIDITY AND FINANCIAL INFORMATION

The Group maintained a position of financial stability underpinned by a cash holding of HK$919 million, with total borrowings of HK$242 million at the balance sheet date. The Group will continue to further explore new business opportunities and investments.