

Management Discussion and Analysis

Business review

For the year ended 31st March 2001, turnover of the Group amounted to approximately HK\$32.5 million and the loss attributable to shareholders amounted to HK\$30.5 million representing a reduction in loss of about 68% as compared to the loss of HK\$96.4 million incurred in the previous year ended 31st March 2000.

The Group has undergone a number of transformations during the past financial year. Following the placement of 1.1 billion shares in April 2000, the Group further strengthened its capital base by successfully raising in July 2000, a total amount of HK\$216 million through the issue of 1.2 billion new shares at HK\$0.18 per share.

As explained in a number of shareholder circulars and in light of the extremely difficult trading conditions in the luggage manufacturing business, the Group expressed the wish to diversify its business in the field of technology and finance. This intention was fulfilled on 30th January 2001 when the Group completed the acquisition of Quam.net Limited ("Quamnet"), owner of the website www.quamnet.com, a pre-eminent financial portal with activities in Hong Kong, China and Thailand.

Quamnet is one of the most popular financial portal in Hong Kong with over 2 million daily page viewers browsing the English or Chinese version of the website.

Quamnet prides itself of offering quality financial products and services to its middle to high net worth users. It holds all the necessary licences from the Securities and Futures Commission and offers page viewers the comfort and security of a regulated industry.

Quamnet projects itself as a virtual private bank, addressing the investment needs of middle to high net worth individuals through a combination of news, research, tools and exposure to their respective equity markets.

On 30th March 2001, the Group announced that it would dispose of its Dongguan based manufacturing facilities and retain only the design, marketing and distribution of the luggage business.

Management Discussion and Analysis

Business strategies

In the course of the past financial year, the Board decided to adopt a conservative approach towards the financial management of the business. Most of the proceeds of the previous share placements were held in cash as fixed deposits.

This was opportune as in fact, very few interesting investments were identified in the market, thus compelling us to retain most of the placement proceeds in cash and enabling the Group to make ready investments.

Despite the gloomy investment climate, the Group did utilize up to HK\$15.7 million of its cash proceeds for investments, including HK\$10 million and HK\$5.7 million respectively in two technology companies, Surfing Platform Software International Limited ("Xteam") and Corpmart.com Limited ("Corpmart").

In addition, the Group also injected up to HK\$51.5 million in Quamnet to support its working capital needs. Simultaneously to reduce cash injection, expenses of Quamnet were slashed and attention geared towards revenue generating activities.

The Group invested HK\$10 million in Xteam, a profitable Beijing based Linux system operator, which works very closely with China's best technology companies. Xteam is now seeking for listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Group also holds an investment through a convertible bond in Corpmart, an application service provider which has undertaken contractual work for reputable listed companies in Hong Kong. Whilst not yet profitable, we believe that Corpmart will improve its financial performance.

We had mentioned in the past that in light of the surplus manufacturing capacity in China, the Group could be better off in realizing the value of its asset while having access to a multitude of choices with regards to quality manufacturing. During the course of this last financial year, we entertained discussions with third parties to sell our luggage manufacturing business in Dongguan and Hong Kong which resulted in a successful disposal and net cash proceeds of HK\$15 million. Following the above sale, the Group has maintained the design, marketing and distribution activities of the business.

Management Discussion and Analysis

Share placements

In order to ease its financial difficulties and liquidity; the Group completed two placements in April 2000 and July 2000 respectively. The total net proceeds of the placements amounting to approximately HK\$317 million were used to reduce bank debts and support daily operations.

Liquidity and financial resources

As at 31st March 2001, the Group's cash and cash equivalents was approximately HK\$175 million. None of the Group's assets were pledged to banks or other financial institutions for banking facilities as at the year end. Net current assets as at 31st March 2001 stood at approximately HK\$170 million.

Staff employment, training and development

As at 31st March 2001, the Group had a total of 77 employees, all of them based in Hong Kong. Remuneration packages were maintained at a competitive level and were reviewed on a periodical basis. Bonus and share options were awarded to employees according to the assessment of individual performance and industrial practice.