

Management Commentary

The Directors are pleased to present the Group's Interim Report and condensed accounts for the six months ended 30th September, 2001. The consolidated results, consolidated cash flow statement and consolidated statement of recognised gains and losses for the Group for the six months ended 30th September, 2001, and the consolidated balance sheet as at 30th September, 2001 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 12 to 30 of this report.

BUSINESS REVIEW

For the six months ended 30th September, 2001, the Group's turnover and loss attributable to shareholders amounting to HK\$5,587,000 and HK\$25,949,000 respectively, as compared to HK\$6,493,000 and HK\$9,886,000 respectively for the corresponding period last year. The directors do not recommend the payment of a dividend for the six months ended 30th September, 2001.

During the current period, the decrease in turnover was mainly due to the drop in rental income as a result of disposal of an industrial building in Kwun Tong in April 2001 and the decrease of occupancy rate in industrial buildings due to continuous deteriorating economy in Hong Kong. The significant increment of loss attributable to shareholders was mainly due to the increase in administrative expenses in the current period as more staff were recruited for project development and there was an exceptional gain resulted from disposal of a subsidiary in the previous period while no such income for this period.

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Details of the operation management and operation results of the Group's business are as follows:

Real Estates

In April 2001, the industrial building in Kwun Tong was disposed of and the proceeds was applied to repay the bank borrowings. Management noted a downward trend in occupancy rate of industrial buildings due to the poor industrial development environment in Hong Kong. In order to retain the existing tenants and attract potential tenants, which in result will increase the market value of the buildings due to higher occupancy rate, more effort and resources had been spent for the better renovation and management of the buildings by appointment of professional property management company. All such actions increase the cost of services in the past six months and reduced the gross profit.

Wanbao Telecom

Up to September 2001, the total investment in telecommunication equipment in Wanbao amounted to HK\$16 million. With this equipment, the current capacity of the call traffic volume is 35 million minutes per month. With the emergence of new competitors and the dramatic price reduction, Wanbao still recorded a satisfactory growth in both incoming and outgoing traffic volume in the current period. In September 2001, the incoming traffic volume increased to 8.8 million minutes and the outgoing traffic volume increased to 17.8 million minutes which represents approximately 11.5% and 12% of all incoming and outgoing call to China respectively with reference to the total market traffic as published by the Office of the Telecommunication Authority ("OFTA").

Within this six months period ended 30th September, 2001, the unaudited operating result of Wanbao was a loss of HK\$3.9 million. By its close relationship with China Telecom, Wanbao is capable of obtaining the most competitive prices and providing the top quality service in the coming future.

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Multimedia IT Education Joint Venture

The joint venture project to produce marketing multimedia IT education software targeted at the high school in the PRC was terminated in March 2001 due to changes in market conditions. The liquidation of the joint venture company has been commenced and the capital contributed by the Group will be refunded once the deregistration is completed. In respect of the deposits of HK\$17 million to the joint venture partner, there is no progress in recovering such balance for the current period. In prior year, for prudence sake, a full provision was made and the major shareholder had provided a guarantee to the Company for the recovery of the full amount in order to protect the shareholders of the Company.

