Review of Operations

The Preparation of the Financial Statements

The Group has been preparing the financial statements in full compliance to the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited. One of our principal accounting policies is to prepare the consolidated financial statements by including the financial statements of the Company and its subsidiaries.

As mentioned in the Chairman's Statement, the Company had disposed of its entire interest in the construction & related businesses (the "Disposed Entities") during the second half of the year for a total cash consideration of HK$50 million. While the Disposed Entities were under Company's supervision, the management accounts of these businesses had been prepared up to the interim period ended 30 September 2001. However, subsequent to completion of the disposals and up to the date of this Annual Report, the management accounts from October 2001 up to the dates of disposal were not provided to the Company by the new management of these businesses. Furthermore, auditors of the Company had been unable to perform their audit work on the management accounts as the new management of these businesses has not granted access to them.

Given these constraints, the Company has prepared the consolidated financial statements by including only the unaudited financial statements of the Disposed Entities up to the interim period ended 30 September 2001. Notwithstanding the aforementioned, the Board is of the view that the historic operating data of the Disposed Entities are not material with regard to understanding the remaining Group operations from the Annual Report. Furthermore, the disposal considerations had been negotiated and agreed to, based on factors other than the negative net asset position of the Disposed Entities as at the respective dates of disposal. Therefore, the impact of having such management accounts up to the respective dates of disposal is just a matter of accounting allocation between the 'gain on disposals' and other operating data.

Construction and Related Businesses

During the first half of the year, turnovers in construction and related businesses decreased significantly by more than 70% when compared to the same period a year ago. Market environment in these business sectors had remained very difficult. The property market remained slack. The decrease in the availability of new building contracts not only negatively impacted the construction business, but also had adverse effect on related sectors such as building maintenance & renovation, trading of building materials & products, etc. Furthermore, competition in the local construction industry had intensified, resulting in deterioration of trading margin. The construction industry was further worsened by the Government's announcement in September 2001 that sale of properties under the Home Ownership Scheme would be frozen for 10 months. Overall, the Group had continued to experience a very difficult operating environment in the construction and related businesses, with dim prospects for a quick rebound in these markets in the foreseeable future.

Disposals of Construction and Related Businesses

In view of the prevailing weak economic conditions, and dim outlook for the Hong Kong property sector, the Board is of the view that business sentiment and activity in the construction industry will not likely to rebound quickly in the near future. As a result, the Board could not see that continuing operation of the construction & related businesses would generate a positive financial return to shareholders in the foreseeable future. As a result, the Company disposed of its entire interest in the Disposed Entities during the second half of the year for a total cash consideration of HK$50 million. The disposal of the Disposed Entities will benefit the company by: (i) streamlining business scope of Company; (ii) improving cash flow position: (iii) realize significant cash value from unprofitable and under-performing businesses; (iv) using proceeds from disposals towards other more productive purposes; and (v) allow better allocation of resources for businesses which have potential to generate higher long-term value for the shareholders.

High Technology Related Business Investments

During the Internet boom period, the Group had made investments in the New Economy technology-related businesses by investing in BeXcom Pte. Ltd. ("BeXcom") and its subsidiaries, namely BeXcom Greater China Co., Ltd. ("BeXcom GC") and BeXcom Japan K.K. ("BeXcom Japan"). BeXcom is a privately held corporation founded in 1996 and operates a network of e-commerce hubs. BeXcom GC and BeXcom Japan are subsidiaries established to provide business-to-business e-commerce solutions and transaction infrastructure to local customers in their respective territories.

With the continued slowdown in technology sector, operating environment for such companies has remained very difficult. Revenue generation and market penetration have been far behind original plan. To protect shareholders' interest, the Group has been assisting such companies to undergo significant business restructuring. Initial investment costs in BeXcom and its subsidiaries amounted to approximately HK$73.4 million. Full reserve has been made for such companies.

In May 2002, the Company completed a share swap agreement with BeXcom whereby the Company used its entire 28.26% interest in BeXcom GC to exchange for 2,781,076 Preference B shares in BeXcom with par value S$0.02. The Company has made full provision on these new swapped shares in BeXcom.

In addition to investments in BeXcom and its subsidiaries, the Company had also acquired a 25% interest in another e-business operator, HiOffice.net Pte. Ltd. ("HiOffice") HiOffice is an operator of business-to-business transaction platform for suppliers and purchasers to enable improvements in the procurement process. Given the current difficult operating environment for technology companies, in July 2001, all investors of HiOffice resolved to close down the business to ensure more effective use of the funds in other investment channels. Initial investment costs in HiOffice amounted to approximately HK$9.4 million. HiOffice is currently under liquidation and the Board estimates the Company can get back a residual cash of approximately HK$5.5 million upon completion of liquidation. Adequate reserve has been made for the investment in HiOffice.

Business Outlook

As part of the Group's strategy to continue to strengthen its business operations, the Group has been evaluating potential investment projects that fall within its principal business focus of communications, media and financial services industries, and technologies that are transforming these industries. While some of the project evaluations are only at their preliminary stages, some have progressed to more advanced stages. The Board is of the view that by focusing on the above

REVIEW OF OPERATIONS (Continued)

business sectors, the Group can best leverage its experience and network, and thus can best realize its potential to generate higher return for Shareholders.

However, the Board believes that, due to the downturn in the prevailing market conditions and the business operating environment in the past 2 years, the Company should be making prudent management and investment decisions in order to protect shareholders' value. It is the intention of the Board to continue with this cautious approach in applying the Group's managerial and financial resources when implementing any of the Group's proposed investment projects.

Financial Resources and Liquidity

During the second half of the year, the Company disposed of its entire interest in the Disposed Entities for a total cash consideration of HK$50 million. The Company currently plans to use approximately HK$20 million of the sale proceeds as general working capital and the remaining portion of approximately HK$30 million as reserve for investments in potential portfolio companies within the Group's business focus. However, Company can adjust the allocation of the sale proceeds between general working capital and reserve for investments in response to prevailing market conditions.

As at 31 March 2002, shareholders' funds of the Group amounted to approximately HK$179.6 million. Current assets amounted to approximately HK$174.3 million, of which approximately HK$127.7 million were cash and bank deposits. The Group's current liabilities amounted to approximately HK$1.5 million.

In addition to the funding provided by disposal of Disposed Entities, the Group principally finances its operations by the funding provided by previous share capital subscription & placement and internally generated cashflows.

All of the bank overdrafts and bank borrowings had been disposed of along with the disposals of the Disposed Entities.

As at 31 March 2002, the Group had no significant foreign currency exposure.

Contingent Liability

As at 31 March 2002, the Group did not have any contingent liability.

Staff Remuneration Policy

During the year, the Group had employed an average of approximately 160 full time employees in Hong Kong. Along with the disposal of the Disposed Entities, the Group maintained a staff team of 8 as at 31 March 2002.

Employees are paid at salaries comparable to market rates. The Group provides free medical insurance coverage for permanent staff and continues to investigate the possibility of introducing other benefits which would help retain current experienced staff and attract new employees so that the Group can maintain a capable workforce to meet present and future requirements.