

**BUSINESS AND FINANCIAL REVIEW****New investments**

To take advantage of the many opportunities in the digital era, the Group made several significant investments. On 3 May 2000, the Group completed the acquisition of 60% of Cyberoffice Limited (“Cyberoffice”). The acquisition of 60% of Total Logistics Services Limited (“TLS”) as well as the purchase of 850,000 ordinary shares of the property portal! Limited (“PP.com”) were completed on 28 July 2000. Additionally, the purchase of a 10% stake in Iswapnet Hong Kong Limited was completed on 12 September 2000.

In the past year, TLS made investment in three companies that market various products. These companies include (1) Kinwood Company Limited, which has exclusive manufacturing, licensee distribution of LA Gear products in Hong Kong, Macau and the PRC; (2) Chain Supplies Limited, which is engaged in the design and supply of fabrics for curtain and furniture in Hong Kong; and (3) Active Water Technology Company Limited, the exclusive distributor of water purifiers manufactured by Cuno Filtration Asia Pte. Limited.

**Business activities**

With the aim to improve the asset quality and raise the medium and long term investment returns, the Group has purchased several properties, such as the shopping arcade in Causeway Bay Ginza, the warehouse in Kwun Tong Industrial Centre and the factory in Chung Mei Centre, which have ideal rental returns. The Group is going to take the advantage of the resurgence trend of Hong Kong real estate market to seek other good properties, so as to increase the investment returns in property investment. Additionally, the Group will put these properties for sale when the value of the portfolio has increased in order to purchase better properties for investment.

In view of the huge investment cost and high operational cost in the shipping business, the Group had committed into a sale and purchase agreement with an independent party on 15 March 2001 to dispose a subsidiary, AWT Shipping Limited (“AWT Shipping”) for the consideration of HK\$1,000,000 and was completed at the end of March 2001. AWT Shipping was a 50% owned subsidiary of the Company since April 2000 and was principally engaged in shipping business.

**BUSINESS AND FINANCIAL REVIEW (continued)****Business activities (continued)**

With the cooling down of the internet fever during the second half year of 2000, the Group has taken active measures to reorganize and consolidate its internet investment portfolio, and has employed some tactics to cut the loss so as to achieve better performance. Cyberoffice therefore applied for creditors' voluntary liquidation on 6 July 2001.

**Financial review**

For the year ended 31 March 2001, the Group recorded a turnover of approximately HK\$165 million, representing 185% increase as compared to last year. The increase is mainly due to the growth in the business of freight forwarding, shipping and logistics services.

During the year, the Company successfully raised funds of approximately HK\$54 million from placement of shares and issue of convertible bonds. Of the net proceeds of HK\$54 million, HK\$27.3 million was used to purchase 850,000 ordinary shares of PP.com and the balance of HK\$26.7 million are being used by the Group as general working capital and for its freight forwarding and logistics business.

As at 31 March 2001, the Group had net assets of approximately HK\$17 million. As a result of the completion of the debt restructuring exercise with its major creditors, the Group's finance costs were tremendously reduced to HK\$4.8 million for the year ended 31 March 2001 from HK\$18 million in the previous year. Total liabilities were decreased by 39% over the year ended 31 March 2001. The Group currently maintains a variety of credit facilities to meet its working capital requirements. As at the year end date, the Group's total borrowings, which were all denominated in Hong Kong dollars, amounted to about HK\$43 million with some HK\$24 million repayable within one year and some HK\$19 million repayable after one year and around 28% of the Group's total borrowings, including convertible bonds and other loans, were at fixed interest rates. The Group's gearing ratio was 247% which is calculated based on the total borrowings of HK\$43 million and the Group's shareholders' funds of HK\$17.4 million.

**FUTURE OUTLOOK AND PROSPECTS****Comprehensive property services**

Backed by long-accumulated and solid experience in the provision of property services, the Group progressively reactivated the former well-received realty services. The Group has developed an integrated property service concept named Total Property Services, which includes realty consultancy and household services. Leveraging its extensive experience in the property market and long-term relationship with property developers and landlords, the Group will offer a wide range of integrated property consultancy including property development consultancy, project management consultancy, construction management consultancy, facilities management consultancy and sales & marketing consultancy for different kinds of property in Hong Kong and the PRC. Being a value added support to the realty business, the Group's total household services aim at providing the general households with movers & warehouse storage service, housekeeping service, interior decoration and contracting service, dry clean & laundry service, property management & security service, insurance agency and other miscellaneous services.

**Freight forwarding and logistics services**

Capitalizing on over thirty years of solid experiences in freight forwarding and an established global network with overseas offices and representative agents around the world, the Group has resumed its freight forwarding business and extended to logistics services. TLS provides computerized total logistics solutions to clients by offering a full range of integrated services embracing sourcing and procurement, computerized warehousing and inventory management, and local and international distribution system.

**PRC development**

The Group strongly believes, with the international management team, and its extensive experiences in all aspects in property market, there are huge opportunities in the Greater China region.

As the PRC will be a member of the World Trade Organization very soon, the Group aims to enlarge its business scope to catch new business opportunities. The Group is ready to take the advantages of its solid experiences in real estate market to provide comprehensive property services to the local developers in Beijing, Shanghai, Guangzhou and Wuhan etc. in order to improve the value and the return of their investment.

**FUTURE OUTLOOK AND PROSPECTS (continued)****Other investment**

The Group received a letter of general offer dated 20 March 2001 from iShowFlat Limited (“ISF”). According to the offer, every 15 shares in PP.com were converted into 2 new shares in ISF. The Group accepted the offer in April 2001 and currently holds approximately 4.97% of the issued share capital in ISF.

ISF is providing high-tech integrated property services through ishowflat.com. By the needs of the business development, ISF plans to open branch offices in Guangzhou and Singapore. The Company expects that this movement can assist the Group to develop the property markets and regional networks in PRC and South East Asia.

**Proposal on change in the name of the Company**

To reflect the new total property services and other strategic development of the Group, the Board proposes to change the name of the Company from 401.com Limited to 401 Holdings Limited.

**Chan Sing Fai**  
*Chairman*

**Leung Tze Hang, David**  
*Managing Director*

Hong Kong, 24 July 2001