

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover for the first half of the year 2001 decreased by approximately 87.4% to HK\$6.26 million, as compared to the corresponding period last year. However, operating profit for the Group amounted to HK\$10.28 million as opposed to an operating loss last year. The Group had net realized and unrealized gain of approximately HK\$18.59 million on investment securities, and made approximately HK\$17.26 million in amortisation of goodwill upon adoption of a new accounting standard. Overall, net loss attributable to shareholders decreased by approximately 96.2% to HK\$2.95 million.

The Group's corporate structure became more diversified. The businesses of trading communication products and those related to hi-tech were also maturely developed. It is expected that such businesses will contribute to the Group in future. As to metal trading and its related business, the operation risk increased as a result of unfavorable business environment and recent market fluctuation, and did not contribute to the turnover and operating profit of the Group. In view of the prospect of such traditional business in the short term remains pessimistic, the Group reduced its scope in metal trading business. On the other hand, the Group's joint venture with China National Postal and Telecommunications Appliance Corporation for distribution of mobile phone handsets had made progress. The Group's other businesses also include strategic investment holding and securities investment. The Group will continue to actively seek other business opportunities and increase its pace for diversification of business.

As at 30 June 2001, the Group had cash and bank balances of approximately HK\$25 million, and unsecured short-term borrowings of HK\$40 million which was subsequently repaid in July 2001. The gearing ratio was 11.6%, based on total borrowings of HK\$40 million and shareholders' fund of HK\$343.56 million.

As at 30 June 2001, the Group employed about 35 staff. Staff remuneration packages are normally reviewed annually. The Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefit. As at the date hereof, no share options have been granted under the share option scheme.