

Management Discussion and Analysis

Turnover of the Group for the year 2000 decreased by approximately 54% to HK\$121 million. This is mainly due to the decline in metal trading activity. Operating loss has also increased to approximately HK\$132 million mainly as a result of revaluation of securities investment. The carrying value of the Group's investments in securities was amounted to approximately HK\$94 million as at 31 December 2000. In addition, due to the gloomy prospect in our investment in Henan, People's Republic of China, the Group has made provision of approximately HK\$55 million in respect of loans and receivable due from associates. The Group has also made HK\$10 million write off of goodwill arising on investment in a joint venture in Hong Kong. As a result, the net loss for the year increased by approximately 5% to HK\$189 million.

In January 2000, the Company placed 217,000,000 ordinary shares of HK\$0.10 each in the Company at HK\$0.11 per share (a discount of approximately 14.73 % to the market closing price of HK\$0.129 per share on 11 January 2000) to independent third parties. Net proceeds of the placing was applied to repayment of the Group's borrowings and for general working capital purposes.

In March 2000, the Company raised fund by way of rights issue of 2,610,408,000 rights shares of HK\$0.10 each at HK\$0.10 per rights share (in the proportion of two rights shares for every existing ordinary share held). Net proceeds of the rights issue was eventually applied to meet the funding obligation of the Group's investment in Beauforte Investors Corporation Limited ("Beauforte"), and for general working capital purposes.

In April 2000, the Company placed 783,000,000 ordinary shares of HK\$0.10 each in the Company at HK\$0.123 per share (a discount of approximately 26.35 % to the market closing price of HK\$0.167 per share on 31 March 2000) to independent third parties. Net proceeds of the placing was eventually applied to meet the funding obligation of the Group's investment in joint ventures and Beauforte, and for general working capital purposes.

As at 31 December 2000, the Group had current assets of approximately HK\$112 million, and current liabilities of approximately HK\$100 million. The Group's short term borrowings was amounted to HK\$95 million, secured by the Group's interest in an associate. The total liability to equity ratio was approximately 42%. The Group is satisfied with its net current assets and debt levels, and is confident of its ability to obtain further financing if necessary.

As at 31 December 2000, the Group employed about 20 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.

Management Discussion and Analysis (Continued)

In the year 2000, the Group was still relying on metal trading as its main business, with its turnover derived mainly from Mainland China. Business environment in the metal trading business has been tough and competition was keen. Market volatility has been difficult to predict, and the operating risk has become higher. The Group concerned with the future returns and prospects of this line of traditional business, and has been actively looking for other attractive investment opportunities. The Group has been putting resources in developing new lines of business, such as developing trading business in communication products. As disclosed in our announcements dated 9 October 2000 and 24 November 2000, and our circular to shareholders of the Company dated 23 October 2000, the Group has made a major investment during the year to acquire 34.87% interest in the issued share capital of Beauforte, a listed company in Hong Kong, for a total consideration of HK\$298.15 million. The transaction was completed on 24 November 2000. Beauforte's financial position is extremely strong and has abundant financial resources for future developments.

The change in business environment causes the Group to re-examine and to adjust its investment focus, and the Group may have to consider taking a new strategic direction in future. There are currently some uncertainties around the economy in Hong Kong, and as a result, the Group will take a cautious approach while maintaining an open attitude in developing new business.