

Management Discussion and Analysis

The Group's turnover for the year 2001 decreased by approximately 91% to HK\$10.65 million. Realised and unrealised gain on trading securities amounted to HK\$28.65 million, as compared to a loss of HK\$125.75 million in the year 2000. Share of results of associates increased by approximately HK\$9.19 million to HK\$11.40 million, and the Group has made approximately HK\$37.93 million in amortisation of goodwill upon adoption of a new accounting standard. Overall, the net loss for the year decreased by approximately 85% to HK\$28.45 million.

The Group holds approximately 34.87% interest in the issued share capital of Beauforte Investors Corporation Limited ("Beauforte"). During the year, Beauforte has made good return and contributed to the increase in our share of results of associates. Investment in trading securities has also made good contribution to the Group's operating profit for the year, as opposed to a loss last year. Trading activities, however, has been severely affected due to the unfavorable business environment and the increased operation risk. Metals trading continued to be weak, and the trading of communication products has shown signs of slowing down.

On 9 February 2001, the Company announced that it proposed to implement a capital reorganisation by cancelling the paid up capital to the extent of HK\$0.09 on each issued shares in the Company and by reducing the nominal amount of the authorised but unissued shares of the Company from HK\$0.10 each to HK\$0.01 each and increase the authorised share capital of the Company to HK\$500,000,000 (the "Reorganisation"). The Reorganisation was approved at a special general meeting held on 8 March 2001.

On 7 June 2001, the Company completed the placing of 939,700,000 ordinary shares of HK\$0.01 each in the Company at HK\$0.022 per share (a discount of approximately 15.38 % to the market closing price of HK\$0.026 per share on 30 May 2001) to independent third parties. Net proceeds of the placing was used for additional working capital of the Company.

On 3 July 2001, the Company completed the placing of HK\$60 million convertible notes to independent third parties. Net proceeds of the placing was used for the repayment of outstanding loans and for additional working capital of the Company.

On 19 July 2001, the Company completed the placing of 1,127,600,000 ordinary shares of HK\$0.01 each in the Company at HK\$0.048 per share (a discount of approximately 12.73 % to the market closing price of HK\$0.055 per share on 9 July 2001) to independent third parties. Net proceeds of the placing was used for additional working capital of the Company.

Management Discussion and Analysis (Continued)

As at 31 December 2001, the Group had cash and bank balances of approximately HK\$52.56 million and investment in trading securities of approximately HK\$50.81 million at market value. The Group had convertible note payable (“Convertible Note”) of carrying value of HK\$56.75 million (principal amount of HK\$58 million less unamortised issue cost of HK\$1.25 million). The Convertible Note was issued on 3 July 2001 and is unsecured. It bears interest at 7% per annum and will mature on the third anniversary of the date of issue. The gearing ratio was approximately 15%, based on the carrying value of the Convertible Note of HK\$56.75 million and the shareholders’ fund of approximately HK\$374.57 million.

As at 31 December 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.