

Management Discussion and Analysis

The Group's turnover for the year 2002 decreased by approximately 67% to HK\$3.54 million. Realised and unrealised losses on trading securities amounted to HK\$37.44 million, as compared to gains of HK\$28.65 million in the year 2001. Share of losses of associates amounted to HK\$1.41 million as opposed to profits of HK\$11.40 million in the year 2001. Amortisation of goodwill amounted to approximately HK\$35.02 million, and there was an approximately HK\$24.81 million impairment loss recognized in respect of goodwill. Overall, net loss for the year increased to approximately HK\$128.21 million.

During the year, trading activities have gone further down as the business environment has remained weak. The Group holds approximately 34.87% interest in the issued share capital of Beauforte Investors Corporation Limited ("Beauforte"). During the year, Beauforte has incurred a loss of HK\$5.40 million and as a result the Group has its share of loss reflected in its income statement. Securities and other investments were also suffered due to the poor market sentiment and economic environment.

As at 31 December 2002, the Group had cash and bank balances of approximately HK\$1.39 million and investments in securities of approximately HK\$35.14 million at market value. At the balance sheet date, the Group had convertible note payable ("Convertible Note") in the principal amount of HK\$58 million with book value of HK\$57.25 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 24%, based on the book value of the Convertible Note of HK\$57.25 million and the shareholders' fund of approximately HK\$237.88 million. The Company has given unlimited corporate guarantee to a bank for general banking facilities granted to its subsidiary. As at 31 December 2002, none of the credit facilities were utilised.

As at 31 December 2002, the Group employed about 30 staff. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, 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. Total staff costs amounted to approximately HK\$12.97 million.