

Management Discussion and Analysis

The Group's turnover for the year ended 31 March 2003 was HK\$4,927,000 representing approximately 1616.72% increase as compared to that of preceding year. The increase of turnover was mainly because of the increase of interest income during the year. The net loss contributable to shareholders for the year ended 31 March 2003 was HK\$46,335,000 as compared to a net loss of HK\$347,920,000 of the preceding year. The net loss for the year was mainly due to the unrealised loss on trading securities and the impairment loss recognised in respect of the land in Jiangsu Province, PRC. Both the unrealised loss on trading securities and the impairment loss recognised in respect of the land in Jiangsu accounted for 77% and 47% of the loss from operations and net loss for the year respectively.

As at 31 March 2003, the Group had cash and bank balance of HK\$827,000. Amount due to a related company amounted to HK\$5,626,000 that amount is unsecured, bears interest at 12% per annum and has no fixed repayment terms. There were no other borrowings and no charge on the Group's assets as at 31 March 2003. Land held for development and securities investment are the two major investments of the Group. The deteriorating Hong Kong economy worsened the investment environment, the market value of the Group's securities investment decreased accordingly. The Group had an unrealised loss on trading securities amounted to HK\$12,092,000 for the year. The Group also made an impairment loss of HK\$9,765,000 for the land held for development as the value of it decreased as at 31 March 2003. As of that date, the market value of the land held for development and the securities investment were HK\$53,000,000 and HK\$84,867,000 respectively. For the year, the Group mainly invested in the PRC and Hong Kong. During the year, the Group's net asset decreased from HK\$150,131,000 as at 31 March 2002 to HK\$124,700,000 as at 31 March 2003.

As at 31 March 2003, the Group had 3 staff. Staff costs (excluding directors' emoluments) amounted to approximately HK\$1,237,000 for the year under review. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

The phased construction stage of the land development project in Jiangsu Province of the PRC was started. A building of the first phase construction had been completed during the year.

During the year, the Group disposed 3,185,740,000 shares in China Online (Bermuda) Limited ("China Online") representing approximately 34.31% of the issued share capital of China Online, which was its entire investment in China Online, through various means including market disposal, private placing, donation and a conditional sale and purchase agreement. Substantial portion of China Online shares was disposed through a conditional sale and purchase agreement which the Group entered into on 29 April 2002 (the "S&P Agreement"). The S&P Agreement was subsequently amended by various supplemental agreements to realise 2,631,200,000 shares in China Online representing approximately 28.33% of the issued share capital of China Online, through the disposal of its wholly owned subsidiary, Vigor Online Offshore Limited, to an independent third party for a final consideration of HK\$263,120,000 in cash. As the conditions precedent contained in the S&P Agreement were fulfilled, the sale was completed on 23 August 2002. Details were disclosed in the Company's past relevant announcements.

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On 30 June 2003, the Company entered into a conditional subscription agreement (the "Subscription Agreement") with Sunderland Properties Limited (an independent third party) to place 1,150,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company at HK\$0.02 subscription price per share, equivalent to the market closing price per share on 30 June 2003. Details of the subscription were disclosed in the announcement dated 30 June 2003. As the condition contained in the Subscription Agreement was fulfilled, the subscription was completed on 16 July 2003. After the completion of the subscription and as the date hereof, the total issued shares of the Company is 6,956,770,004. The subscription represents an opportunity to raise capital for the Company while broadening the capital base of the Company. The net proceeds from the subscription is for general working capital of the Company.