

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a turnover of approximately HK\$142,594,000 for the year ended March 31, 2003, representing an increase of approximately 135% as compared to the year ended March 31, 2002. The increase in turnover was mainly due to increases in securities trading and investments and the health care business. The profit attributable to shareholders for the year ended March 31, 2003 was approximately HK\$190,447,000 as compared to the loss of approximately HK\$39,708,000 in 2002. The earnings per share for the year was HK\$3.38 when compared with loss per share of HK\$0.78 in last year.

The substantial increase in turnover was contributed by the health care investments acquired last year. The improvement in the results was mainly attributable to the gains amounting to HK\$56,729,000 from the disposal/deemed disposal of shares and preference shares in subsidiaries and associate and the net gain on investments in securities and properties of HK\$201,444,000, including the unrealized holding gain of HK\$227,330,000 from the investment in China Gas Holdings Limited ("China Gas").

Liquidity and capital resources

During the period under review, the Company raised HK\$37,200,000 from the placing of preference shares of China Gas and received HK\$68,400,000 from Hai Xia Finance Holdings Limited for the exercise of the option to acquire China Gas's shares.

In August 2002, the Company raised HK\$20,000,000 from the subscription of 80,000,000 subscription shares (or 3,200,000 consolidated shares) at a subscription price of HK\$0.25 each (or HK\$6.25 for each consolidated share). The subscription shares were issued with 140,000,000 bonus shares (or 5,600,000 consolidated shares) and 80,000,000 bonus warrants (or 3,200,000 consolidated warrants). The Group applied HK\$8,500,000 to partially settle the amount due to MBf Asia Capital Corporation Holdings Limited ("MBf Asia").

These fund raising exercises enabled the Group to strengthen its financial position and to allocate more resources to the expansion of the credit card business and financial services division of the Group.

As at March 31, 2003, the Group's current ratio was 11.9 (3.31.2002: 2.92) and the gearing of the Group was 13.0% (3.31.2002: 26.8%) which was calculated based on the total borrowings of HK\$59,345,000 and the shareholders' fund of HK\$455,194,000. Bank balance and cash amounted to approximately HK\$115,265,000 (3.31.2002: HK\$71,632,000).

管理層討論與分析

財務回顧

本集團就截至二零零三年三月三十一日止年度錄得營業額約142,594,000港元，較截至二零零二年三月三十一日止年度增加約135%，主要受到證券買賣及投資與保健業務的增長所帶動。截至二零零三年三月三十一日止年度的股東應佔溢利約190,447,000港元，而二零零二年則有虧損約39,708,000港元。年內每股盈利為3.38港元，而去年則為虧損每股0.78港元。

大部分營業額增幅源自去年所購入之保健業務投資，而業績改善主要原因為出售／視為出售附屬公司及聯營公司股份及優先股錄得收益56,729,000港元，加上證券及物業投資獲得淨收益201,444,000港元，包括於中國燃氣控股有限公司（「中國燃氣」）投資的持有未變現收益227,330,000港元。

流動資金及資金來源

回顧期內，本公司透過配售中國燃氣優先股集資37,200,000港元，並因海峽金融控股有限公司行使期權收購中國燃氣股份，而從該公司收取68,400,000港元。

於二零零二年八月，本公司透過以每股0.25港元（或每股合併股份6.25港元）之認購價認購80,000,000股認購股份（或3,200,000股合併股份），集資20,000,000港元。認購股份連同140,000,000股紅股（或5,600,000股合併股份）及80,000,000份紅利認股權證（或3,200,000份合併認股權證）一併發行。本集團動用8,500,000港元償還欠負MBf Asia Capital Corporation Holdings Limited（「MBf Asia」）之部分款項。

上述集資活動有助本集團加強其財政狀況，並可分配更多資源以拓展本集團之信用卡業務及金融服務部門。

於二零零三年三月三十一日，本集團之流動比率為11.9（二零零二年三月三十一日：2.92），而資產負債比率則為13.0%（二零零二年三月三十一日：26.8%）。資產負債比率乃按總借貸59,345,000港元與股東資金455,194,000港元計算。銀行結存及現金約115,265,000港元（二零零二年三月三十一日：71,632,000港元）。

MANAGEMENT DISCUSSION AND ANALYSIS

– continued

Material Acquisitions and disposal and future plans for material investments

In August 2002, the Group transferred 18% interest of a subsidiary, Online Credit Card Limited (“OCCL”), to MBf Asia pursuant to the Compromise and Settlement Agreement to settle the litigation in relation to the credit card business.

In December 2002, the Company entered into a conditional agreement to acquire 39.51% of the issued capital and 1,050,000 warrants of American Pacific Bank, a licensed bank incorporated in the U.S. with its shares listed on NASDAQ in the U.S. for a consideration of HK\$134 million. The acquisition was approved by the independent shareholders of the Company in May 2003 but is still subject to the approval by relevant government or regulatory authorities in the U.S.

In February 27, 2003, Online Credit Limited (“OCL”), a subsidiary of the Company entered into a conditional agreement to dispose of an equivalent of 9% each of the issued share capital of 3 subsidiaries, China Credit Card Limited, Online Discount Card Limited and OCCL to EnerSave Holdings Limited (“Enersave”), the shares of which are listed on the Singapore Exchange Securities Trading Limited, for a consideration of Singapore dollars (“S\$”) 6 million to be satisfied in full by the issue and allotment of 40,000,000 new shares of Enersave at an issue price of S\$0.15 for each new share, representing approximately 24.51% of the issued share capital of Enersave. The transaction was completed in July 2003.

On July 24, 2003, OCL entered into a conditional bond subscription agreement to subscribe a convertible bond with principal amount of S\$4,000,000 and a call option issued by Futuristic Image Builder Ltd. (“Futuristic”), the shares of which are listed on the Singapore Exchange Securities Trading Limited for a consideration of S\$4,000,000. The consideration for the subscription to be satisfied by payment of S\$1,500,000 in cash, transfer of 3,050,000 common shares of Global Med Technologies, Inc. (“Global Med”) a subsidiary of the Company at a consideration of S\$2,499,999 and procure for Futuristic for a consideration of S\$1 an exclusive marketing rights for all technology, products and services provided by Global Med for the countries of Indonesia, Malaysia, Thailand and Singapore. The convertible bond to be issued with a zero coupon and could be convertible during the period from its issue to its maturity after 2 years at a conversion price of S\$0.10 each in Futuristic. Upon conversion of the convertible bond and exercise of the call option, the Group will hold approximately 38.3% and 49.6% respectively of the enlarged issued share capital of Futuristic.

管理層討論與分析

– 續

重大收購及出售與日後重大投資計劃

於二零零二年八月，本集團根據妥協及償還協議，向MBf Asia轉讓附屬公司聯網信用卡有限公司（「聯網信用卡」）18%權益，以就有關信用卡業務之訴訟作出和解。

於二零零二年十二月，本公司訂立有條件協議，按代價134,000,000港元收購American Pacific Bank 39.51%已發行股本及1,050,000份認股權證。該銀行為於美國註冊成立之持牌銀行，其股份於美國納斯達克市場上市。該項收購於二零零三年五月獲本公司獨立股東批准，惟尚有待美國有關政府或監管機關批准。

於二零零三年二月二十七日，本公司附屬公司聯網信貸有限公司（「聯網信貸」）訂立有條件協議，按代價6,000,000新加坡元，向EnerSave Holdings Limited（「Enersave」）出售其於三間附屬公司China Credit Card Limited、聯網優惠卡有限公司及聯網信用卡各自相當於9%之已發行股本。Enersave之股份於Singapore Exchange Securities Trading Limited上市。有關代價將透過按發行價每股新股份0.15新加坡元發行及配發40,000,000股Enersave新股份悉數支付，該等新股份相當於Enersave已發行股本約24.51%。該項交易已於二零零三年七月完成。

於二零零三年七月二十四日，聯網信貸訂立有條件債券認購協議，按代價4,000,000新加坡元認購由Futuristic Image Builder Ltd.（「Futuristic」）所發一份本金額4,000,000新加坡元之可換股債券及一份認購期權。Futuristic之股份於Singapore Exchange Securities Trading Limited上市。認購代價將以下列方式支付：現金1,500,000新加坡元；按代價2,499,999新加坡元轉讓3,050,000股本公司附屬公司Global Med Technologies, Inc.（「Global Med」）普通股；及按代價1新加坡元為Futuristic取得Global Med所提供所有科技、產品及服務於印尼、馬來西亞、泰國及新加坡等國家之獨家市場推廣權。將予發行之可換股債券為零息債券，可於發行日期起計至兩年後之到期日止期間，按轉換價每份0.10新加坡元轉換為Futuristic股份。可換股債券獲轉換及認購期權獲行使後，本集團將分別持有Futuristic經擴大已發行股本約38.3%及49.6%。

MANAGEMENT DISCUSSION AND ANALYSIS

– continued

During the year ended, the Group's interest in China Gas was reduced from 52.86% at April 1, 2002 to 26.41% at March 31, 2003 following a series of placing of ordinary shares of China Gas and conversions of preference shares of China Gas. The Group had previously accounted for the investment in China Gas as a subsidiary, and the financial statements of China Gas were consolidated in the consolidated financial statements of the Company for the year ended March 31, 2002. Following the decrease in the Group's interests in China Gas, the Group's interests in China Gas was reclassified to interest in an associate and subsequently to other investments when the Group no longer had the capability to exercise the power to participate in the financial and operating decisions of China Gas in November 2002. It is the Group's strategies to dispose its non-core assets, including China Gas and consolidate its principal businesses allowing the Group to focus on financial services, securities investments and its credit card business. In March 2003, the Group entered into a conditional agreement with an independent purchaser to dispose of 26.39% of the issued share capital of China Gas for an aggregate consideration of HK\$304,000,000. However, the agreement has subsequently lapsed due to the Group's disagreement with readjusting the selling price of China Gas's shares downward based on prevailing market conditions, as requested by the purchaser.

The Group is actively seeking buyers to divest its non-core holdings in China Gas and consider that large-block disposals to international institutions or investors will maximise the Group's gain by reducing downward pressure on the open market price of China Gas created by on-market disposals.

Foreign Exchange Exposure

Substantially all the revenues, expenses, assets and liabilities are denominated in Hong Kong dollars and United States dollars. The Group's cash deposit and bank balances are mainly in either Hong Kong Dollars or United States Dollars. During the same period, the Group neither engaged in any derivative activities nor committed to any financial instruments to hedge its balance sheet exposures.

Human Resources

Remuneration packages are generally structured by reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. At the balance sheet date, there were approximately 101 employees employed by the Group. Share options may also be granted to eligible employees and persons of the Group.

管理層討論與分析

– 續

年內，在連串配售中國燃氣普通股及轉換中國燃氣優先股後，本集團於中國燃氣之權益由二零零二年四月一日之52.86%減至二零零三年三月三十一日之26.41%。本集團以往將於中國燃氣之投資列為附屬公司，而中國燃氣之財務報表則綜合計入本公司截至二零零二年三月三十一日止年度綜合財務報表。隨著本集團於中國燃氣之權益減少，本集團於中國燃氣之權益已重新分類為於聯營公司之權益，後於本集團於二零零二年十一月不能行使權力參與中國燃氣財務及營運決策後再重新分類為其他投資。本集團之策略為出售其非核心資產（包括中國燃氣）及整合其主要業務，以讓本集團集中發展其金融服務、證券投資及其信用卡業務。於二零零三年三月，本集團與獨立買方訂立有條件協議，按總代價304,000,000港元出售中國燃氣26.39%已發行股本。然而，由於本集團不同意應買方要求，按現行市況調低中國燃氣股份售價，故該項協議其後已告失效。

本集團正積極物色買家，以出售其中國燃氣非核心股權，並考慮將大批該等股權售予國際機構或投資人士，以減輕因於市場出售而對中國燃氣公開市場價格造成的下調壓力，盡量提高本集團收益。

外匯風險

本集團絕大部分收益、開支、資產及負債均以港元及美元結算。本集團之現金存款及銀行結存亦主要為港元或美元。同期，本集團並無參與任何衍生工具活動或以任何金融工具為其資產負債表之賬目進行對沖。

人力資源

薪酬待遇一般參考現行市場條款及個人資歷制定。薪金及工資一般按年根據表現評估及其他相關因素檢討。除薪金外，本集團另有其他員工福利，包括公積金、醫療保險及與表現掛鉤的花紅。於結算日，本集團聘用約101名員工。本集團另可向合資格僱員及其他人士授出購股權。

MANAGEMENT DISCUSSION AND ANALYSIS

– continued

Pledge of Assets

At the balance sheet date, the Group had pledged bank balances of HK\$3,963,000 as a security for banking facilities granted to a subsidiary and as securities for the credit card business transactions with MasterCard International Inc. The mortgage loans of HK\$9,975,000 were secured on the investment properties and land and buildings of the Group with an aggregate carrying value of HK\$16,877,000.

Contingent Liabilities

- (a) At the balance sheet date, the Company has given a guarantee to a financial institution in respect of banking facilities granted to subsidiaries of HK\$3,884,000.
- (b) Actions were brought by Pricerite Stores Limited and Pricerite Group Limited (together referred to as “Pricerite”) respectively, against a subsidiary of the Company, in respect of the alleged breach of agreement, for damages which are not quantified. In the opinion of the directors, it is not practicable at this stage to determine with certainty the outcome of the litigation.

管理層討論與分析

– 續

資產抵押

於結算日，本集團已抵押銀行結存3,963,000港元，作為一間附屬公司獲授銀行融資以及與MasterCard International Inc.進行信用卡業務交易之抵押。本集團亦就其賬面總值達16,877,000港元之投資物業和土地及樓宇取得按揭貸款9,975,000港元。

或然負債

- (a) 於結算日，本公司就附屬公司所獲授3,884,000港元銀行融資向一間財務機構提供擔保。
- (b) 實惠傢居廣場有限公司及實惠集團有限公司（統稱「實惠」）分別就指稱本公司一間附屬公司違約而向該公司提出訴訟，追討尚未確定之賠償額。董事認為，在現階段無法肯定訴訟結果。