

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group recorded a net loss of HK\$10,310,440 for the six months ended 30th June 2003, which was mainly attributable to the unrealised loss on the Company's investments in the listed securities in Hong Kong of HK\$7,471,637. The net assets value of the Group was HK\$80,962,689 as of 30th June 2003.

Liquidity and Financial Resources

As at 30th June 2003, the Group had cash and bank balance of HK\$35,270,457. Most of the cash was placed in Hong Kong dollars short-term deposits in Hong Kong. The Group did not have any borrowings during the Period under review. The Board believes that the Group has sufficient financial resources to satisfy its working capital requirements. The Company's investments are mainly denominated in Hong Kong dollars or Renminbi. The Directors consider that the exposure to foreign exchange fluctuation in Hong Kong dollars is minimal whilst that in Renminbi may have an impact on the financial performance of the Group.

Capital Structure

There was no change in the capital structure of the Group during the period ended 30th June 2003.

Employee, Remuneration Policy and Share Option Scheme

As at 30th June 2003, the Group had 1 employee and the total staff costs excluding directors' remuneration amounted to HK\$366,000 for the six months ended 30th June 2003. Remuneration was reviewed annually in accordance with market situations and performance of individual staff.

During the Period under review, no share options were granted to any directors or employees of the Group under the Company's share option scheme adopted on 7th October 2002.

Charges on Group Assets

During the Period under review, there were no charges on the Group's assets.

Contingent Liabilities

As at 30th June 2003, no contingent liabilities were noted by the Directors.