

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

For the year ended 30th June 2003, the Group's turnover reduced to approximately HK\$25.0 million (2002: HK\$62.5 million), representing a drop of 60% when compared with last year.

The loss attributable to shareholders of the Group for the year ended 30th June 2003 was amounted to approximately HK\$164.9 million (2002: Loss of HK\$191.0 million). Net loss was mainly due to the Group provides "prudent" concept in running the Group's business and thus decreased out net profit, the provision for receivable for HK\$23.7 million and the writing down of investment securities for HK\$25.0 million.

### REVIEW OF OPERATIONS

During the year under review, the market sentiment of the worldwide remains poor and uncertain, the threat of war in Middle East and the outbreak of SARS throughout Hong Kong & PRC in mid March has further worsen the business environment. To cope with this difficult market conditions, the Group has taken a "prudent" concept in running the Group's business. In addition, the Group had imposed policies to tighten the costs and internal control.

#### (i) Trading

The turnover of the trading business decreased from HK\$50.0 million to HK\$7.5 million. It is mainly due to the "prudent" policy of the Group to reduce the business activities in this sector in order to prevent potential bad debt.

#### (ii) Securities and Finance

The turnover of securities and finance business of the Group recorded a decrease of 48% to HK\$4.2 million (2002: HK\$8.1 million). The decrease in turnover was due to the gloomy investment atmosphere all over the world.

#### (iii) Entertainment and advertising services

During the period under review, the Group had been appointed as an organizer of some programs for a government department, and as a producer of audio and visual program for railway passengers of Kowloon-Canton Railway ("KCR") Corporation.

#### (iv) Telecommunication

During the year under review, the telecommunication business recorded a turnover of approximately HK\$11.7 million. The turnover of the business is growing but the environment is competitive. During the year, certain amount of provision is made and several equipment/machines are disposed.

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### (v) Wap business

The Group remains as one of the ICP for GMCC. New SMS service has been launched during the period, and monthly members have started to join for this new service.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2003, the Group had cash and cash equivalent of approximately HK\$2.9 million (2002: HK\$29.9 million) and net asset value of approximately HK\$99.0 million (2002: HK\$246.4 million).

The outstanding bank and other loan borrowings was only of approximately HK\$1.5 million (2002: HK\$4.0 million) and accordingly the gearing ratio as at 30th June 2003 over total assets (1.4%) and over shareholders' equity (1.5%).

As the majority of deposit, income and expenses are denominated in either Hong Kong or United States dollars which exchange rate has pegged together, the Group did not use any financial instruments for hedging purposes.

### EMPLOYEES AND REMUNERATION POLICIES

The Group had 32 employees as at 30th June 2003. The Group's remuneration policies are in line with prevailing market practices and formulated on the basis of performance and experience of the employees. Salaries are reviewed annually based on performance appraisal and other relevant factors.

The Company also maintains a share option scheme, pursuant to which shares options are granted to directors and senior executives to provide them with incentive interest in the growth of the Group. During the year under review, no share option was granted to directors and senior executives.

### DISCUSSION ON QUALIFICATION BY AUDITORS

The auditors have qualified the Company's performance with respect to one (1) investment.

#### The Prudent move in writing off an investment

In early 2002, the Company has invested into a plant in the People's Republic of China. Total investment made by the Company in the plant is HK\$15 million. The amount was paid for acquiring 14% of the equity interests in the plant. The plant is now under normal operation, however, no dividend has ever been declared by the plant or received by the Company since the Company made the investment. The Company is a minority shareholder and do not take part into the management of the plant. No updated financial statements of the plant was obtained and the management do not have any information concerning the fair value of the plant as at 30th June 2003 irrespective to the numerous requests given to the plant. The Company has adopted the prudent move to make a full provision of the whole investment in view of the uncertainties.

Due to the lack of basic information, the auditors' report is qualified as to the appropriateness of the provision.