

Management Discussion and Analysis

During the year under review, turnover of the Group increased by 44.1% from approximately HK\$78.0 million in 2002 to approximately HK\$112.4 million. With a full year contribution of its advertising business and disposal of its electronic consumer products business in June 2003, approximately HK\$66.5 million and HK\$45.9 million, representing 59.2% and 40.8% of the total turnover, were derived from (i) the provision of advertising agency services and (ii) the discontinued electronic consumer products manufacture respectively.

The contribution from the advertising agency services segment increased significantly to approximately HK\$35.4 million, or a 12-times increase over last year's two-month-period contribution of approximately HK\$2.7 million. It also accounted for 87.1% of the total segment results this year while the discontinued electronic consumer products business represented the remaining 12.9%.

As a result of a full year contribution from the print media advertising business, combined with stringent cost control and improved operational efficiency, profit attributable to shareholders jumped to approximately HK\$28.3 million, representing a 20-fold increase from the previous year.

ELECTRONIC CONSUMER PRODUCTS BUSINESS

Before the acquisition of the Caixun Group, the Group was principally engaged in the design, manufacture and marketing of electronic consumer products. In view of fierce competition in the electronic consumer products market, the Company entered into an agreement to dispose its electronic consumer products business at a consideration of HK\$19.0 million in March 2003. The transaction was completed in June 2003 and the Group ceased its electronic consumer products business thereafter.

During the period before its disposal, the turnover generated from the Group's electronic consumer products business was approximately HK\$45.9 million and it made a contribution of approximately HK\$5.2 million during the year. The disposal resulted in a loss of approximately HK\$1.8 million to the Group. The disposal, however, enhanced the liquidity and resources available to the Group for further development in its printed media advertising business.

PRINT MEDIA BUSINESS

With its exclusive advertising rights of prominent financial publication media in Caijing Magazine, Securities Market Weekly (The Integrated Version and The Market Version), China Business Post and New Real Estate, the Group has maintained its leading position as an advertising operator in China.

Despite a slowdown caused by the Iraq war and the outbreak of the SARS in the first half of the year, the advertising market in China rebounded quickly in the second half year of 2003. The Directors considered that certain clients' advertising expenditures might have been delayed during the SARS period. However, with the market recovery from SARS, clients' advertising spending witnessed a 2 times increase in the segment turnover in the second half of 2003.

The Group will continue its expansion through internal organic growth and acquisitions should suitable investment opportunities arise. The recent acquisition of 60% interest in the registered capital of Beijing Caxiun Century InfoTech Co. Ltd. was approved by the shareholders of the Company in January 2004. Through this transaction, the Group will acquire an additional 18% attributable interest in its existing advertising agency business upon its expected completion in March 2004.

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LIQUIDITY AND FINANCIAL RESOURCES

During the year, the principal amount of the one-year zero coupon convertible notes which were issued by the Company on 24th July, 2002 of HK\$3,600,000 were converted into 18,000,000 ordinary shares of HK\$0.10 each at a conversion price of HK\$0.20 per share. The remaining principal amount of the convertible notes of HK\$6,960,000 was repaid during the year.

Pursuant to a placing agreement dated 3rd October, 2003 entered into between the Company, United Home Limited ("United Home"), a substantial shareholder of the Company and a placing agent, 140,000,000 existing ordinary shares of HK\$0.10 each in the Company were placed to a number of independent investors at a price of HK\$0.26 per share. Upon completion of the placement of shares, pursuant to a subscription agreement entered into between the Company and United Home, United Home subscribed for 140,000,000 new ordinary shares of HK\$0.10 each in the Company at a price of HK\$0.26 per share. The net proceeds of the subscription was intended to be used as general working capital for the Group or for future investment in media publication advertising agency business in the PRC.

The Group's daily operating activities were financed by internal sources. As at 31st December, 2003, the Shareholders' equity was approximately HK\$200.6 million (2002: HK\$140.0 million). The increase in the shareholders' equity was mainly due to the net proceed from the subscription of the 140,000,000 ordinary shares of approximately HK\$35.1 million and the net profit of approximately HK\$28.3 million achieved by the Group during the year. The Group had no long term debt as at 31st December, 2003 and 2002. The gearing ratio, which was computed by current liabilities over shareholders' fund, was 8.6% (2002: 47.3%).

As at 31st December, 2003, the Group had cash and time deposits amounted to approximately HK\$47.4 million. (2002: HK\$45.9 million)

As at 31st December, 2003, the Group had investments in securities of value approximately HK\$16.6 million (2002: HK\$42.0 million).

CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 31st December, 2003.

CHARGES ON ASSETS

As at 31st December, 2003, the Group and the Company did not charge any of their assets.

FOREIGN CURRENCIES AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars or Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, the Group did not have any fixed interest rate borrowings and had not engaged in any financial instruments for hedging or speculative activities.

EMPLOYEES

As at 31st December, 2003, the Group had approximately 110 (2002: 800) employees in Hong Kong and the PRC. Salaries, bonuses and benefits were decided in accordance with market conditions and performance of the respective employees.

SHARE OPTION SCHEMES

The shares option scheme of the Company adopted on 3rd December, 1992 was ceased to operate and all outstanding options under this option scheme was cancelled on 30th June, 2003. A new share option scheme was adopted on 26th August, 2002. As at 31st December, 2003, the number of shares issuable under share options granted under this new share option scheme was 38,100,000.