

Management Discussion and Analysis

The Group's turnover for the year 2003 increased by HK\$0.52 million to HK\$4.06 million. Net realized and unrealized gain on trading securities amounted to HK\$13.68 million as opposed to a loss of HK\$37.44 million for the year of 2002. Share of loss of associates increased by HK\$4.90 million to HK\$6.31 million, and amortisation of goodwill has decreased as impairment loss on goodwill had been made in the year 2002. On 5 January 2004, the Group signed an agreement to dispose of its entire equity interest in the issued share capital of Beauforte Investors Corporation Limited ("Beauforte") to independent third parties for an aggregate consideration of HK\$78.00 million, and the transaction was completed on 4 March 2004. Details of this transaction has been disclosed in the Company's announcements dated 9 January, 20 February and 4 March 2004 and the Company's circular dated 30 January 2004. As a result of that transaction, impairment loss were recognised in respect of the Group's interest in Beauforte and that amounted to HK\$153.41 million. Overall, net loss for the year increased by approximately 56% to HK\$199.42 million. The Group's trading business has remained weak, and the share of loss of associates has increased as Beauforte has incurred more loss for the year 2003. Investment in securities was better performed as the market sentiment started to turn around during the year.

As at 31 December 2003, the Group had cash and bank balances of HK\$6.60 million and investments in securities of HK\$49.44 million at market value. The Group had convertible note payable ("Convertible Note") in the principal amount of HK\$58.00 million with book value of HK\$57.75 million. The Convertible Note was issued on 3 July 2001 and is unsecured. It bears interest at 7% per annum and will mature on the third anniversary of the date of issue. The Group also had short term borrowings in the amount of HK\$25.00 million bearing interest rate at 8% per annum all these short term borrowings were subsequently repaid after the balance sheet date. The gearing ratio was approximately 151%, based on the book value of the Convertible Note and short term borrowings in the total amount of HK\$82.75 million and the shareholders' funds of HK\$54.71 million. The Group employed about thirty staff. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. As at the date hereof, no share options have been granted under the share option scheme. Total staff costs was around HK\$9.52 million.