

Turnover of the Group for the year ended 31st December, 2003 was HK\$9,921,500 (2002: HK\$3,055,635 and the loss attributable to shareholders was HK\$2,086,653 (2002: HK\$58,862,002).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2003, the Group had no borrowing, except for the outstanding convertible bonds of HK\$44,900,000. HK\$5 million convertible bond was due for repayment before year end while the remaining HK\$39.9 million will be due within one year. The Group had negotiated with these bondholders and the bondholders of \$19.9 million have agreed to further extend the maturity date for another year. The Group had available funds of HK\$14,278,246 which were mainly placed with banks in over night deposits. Cash and bank balances held by the Group are mainly denominated in Hong Kong dollars.

Shareholders' funds increased from HK\$114,830,076 as at 31st December, 2002 to HK\$140,689,417 at 31st December, 2003 due to inflow of funds from the rights issue.

The Group has unutilised banking facilities of HK\$6,000,000 and has no significant funding requirements for investment and capital expenditure commitments at present. The interest rate charged under the banking facilities is 2% per annum over the Prime Lending Rate or 2% per annum over the prevailing overnight Hong Kong Interbank Offered Rate, whichever is higher.

Capital Structure

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 19th December, 2002, a rights issue scheme on the basis of three rights shares for every two existing shares to existing shareholders was approved and adopted. 1,461,582,337 new shares of HK\$0.01 each were issued at HK\$0.02 per share for cash on 23rd January, 2003 under the rights issue scheme. These shares rank pari passu to the existing shares. The funds raised by the Company net of share issuance expenses amounted to HK\$27,945,994 will be used by the Group as working capital and for future investment purposes.

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 23rd January, 2003, 20 shares of the Company of HK\$0.01 each were consolidated into 1 new share of the Company of HK\$0.2 each with effect on 24th January, 2003.

As at year end, there were outstanding 2004 warrants which will be expired on 30th June, 2004. If all of the outstanding 2004 warrants are fully exercised, the Group will issue additional 15,478,789 shares at an exercise price of HK\$1.00 each (after the adjustment for the rights issue and the consolidation of shares).

Management Discussion and Analysis

The Group's borrowings are at fixed interest rates and denominated in Hong Kong dollars. The Group did not employ any financial instruments to hedge interest rate risks.

CHARGE ON GROUP ASSETS

As at 31st December, 2003, the Group's other investments with an aggregate market value of HK\$11,305,000 were pledged to a bank to secure a bank line. In addition, a subsidiary has issued convertible bonds of HK\$10 million in 2000 with a floating charge on the subsidiary's assets.

GEARING RATIO

The gearing ratio for the Group is 32% (2002: 44%) and represents the ratio of the Group's borrowings to the net asset value of the Group.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

Despite the gradual recovery after the third quarter of the year 2003, the impact of SARS has adversely affected the operating results of the Group's investments in associates. The numbers of visitors for the theme park of Teddy Bear Kingdom and the Chinese Medicine Valley in Zhuhai in the People's Republic of China ("PRC") has shrunk significantly resulting in shared losses of HK\$2,410,530 from these associates. In addition, a provision of HK\$4,199,586 was made for impairment losses on loan to associates.

During the period under review, the Group received a cash dividend of HK\$2,625,000 from One.Tel Holdings Limited and HK\$1,659,230 from other listed and unlisted investments. Interest income of HK\$5,179,770 was received from investment securities and short-term loan. Provisions during this period were also made based on impairment losses on investment securities, amounting to HK\$10,477,600. Of this amount, HK\$7,000,000 was made for the investments of money lending business and HK\$3,000,000 was made in the business of car beauty and related service.

There has not been any significant change in the investment portfolio during the period under review except for a few investments acquired and loans extended. In this period, the Group has acquired a convertible bond of HK\$10,000,000 which was issued by a furniture trading company in Hong Kong. In addition, the Board advanced a short-term loan of HK\$16,000,000 to a shareholder of a company which is the largest decorative sheet manufacturer in the PRC. As at 31st December, 2003, the loan was reduced to HK\$12,500,000.

FUTURE PLAN

One of the Group's major investment in the coming year will be in the participation of Cyberport Project. This is a project featuring a wedding theme. The Group intends to form a joint venture with other investors to pursue this project so as to minimize the Group's financial resource.

With increase of demand for medical services by the population, the Board believes that the business of life science, bio-chemical and technological products will be important in future plan of the Group's investment. The Board will increase the exposure in these kinds of businesses and hope to maximize the future profit for shareholders.

SEGMENT INFORMATION

No analysis of the Group's turnover and contribution to the operating profit for the year set out by principal activities and geographical markets is provided as the Group has only one single business segment, which is investment holding, and less than 10% of the consolidated turnover, results and assets of the Group are attributable to markets outside Hong Kong.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2003, the Group employed a total of 8 full-time employees, including the executive directors of the Company. Employees' remuneration are fixed and determined with reference to the market remuneration. The Group does not have any share option scheme nor provide any training schemes to the employees.

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has no significant exposures to fluctuations in foreign exchange rates and, therefore, did not employ any financial instruments to hedge such exposures.

CONTINGENT LIABILITIES

As at 31st December, 2003, the Group has no significant contingent liabilities.