

# Management Discussion and Analysis

## THE OVERVIEW

For the financial year of 2003, the sluggish global economy was further weakened by the outbreak of SARS and the Iraq War in the first half year of 2003. It was a challenging and difficult year for most of the companies especially those engaging in business activities related to the retail, telecom, hotel and travel businesses. Moreover, the Hong Kong stock market was badly hit.

In 2003, the Group streamlined its telecom operation as a measure to minimize continuing operating loss incurred from the drastic change in telecom market. The management is in the process of restructuring the telecom business by diversifying its products and market and shifting its focus from the fixed line and mobile networks to internet platform.

Direct investment in companies with synergy and earning potentials of the Group yielded encouraging result in certain occasions. The management will take advantage of its prevailing position to identify more lucrative investment opportunities along the line.

The management was able to control its burn rate on operations to a minimum level and with the improvement of market sentiment, operations of the Group will bring more fruitful yields for the future years.

## FINANCIAL REVIEW

### (a) Capital structure and liquidity

As at 31 December 2003, the Group had shareholders fund of HK\$3.96 million comprising issued capital of HK\$13.07 million and deficit of HK\$9.11 million. The current assets and current liabilities of the Group were HK\$6.77 million and HK\$12.08 million respectively such that the current ratio was 0.56.

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### (b) Contingent liabilities

As at 31 December 2003, the Company granted guarantees to the extent of HK\$15 million to various securities dealers who have offered financing facilities to several wholly-owned subsidiaries of the Group. Other than these, the Group had no significant contingent liabilities as at 31 December 2003.

### FUND RAISING

In March 2003 a rights issue was completed with net proceeds of HK\$ 11 million. HK\$2.5 million out of the proceeds was used to repay GE (Hong Kong) Limited. HK\$1.2 million was used to repay the Group's borrowing, payables or debts due. Another HK\$3 million was used to continue and develop the Group's business and the balance of the proceeds was applied as general working capital of the Group. Details of this rights issue were contained in the circular dated 21 March 2003 sent to shareholders of the Company.

In August 2003 a convertible bond was issued with net proceeds of HK\$2.7 million. HK\$1.2 million out of the proceeds was used to repay the promissory notes and the balance of proceeds was applied as general working capital.

### EMPLOYEES

The number of full-time employees of the Group at 31 December 2003 is 15. Employee costs excluding director's remuneration is about HK\$1.9 million. No options have been granted to any employee during the year and the details of options granted previously to employees are contained in Report of the Directors.