

# Management Discussion and Analysis

## Review of operations

The Company's principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in property investment and development, information technology, financial services and other investment activities including a 20% investment in a Hong Kong securities broker. During the year, the Company has ceased operation of its information technology business (including the trading of computer products and office equipment) and securities broking and investment operations.

The Group recorded a consolidated turnover of HK\$123,558,000, a decrease of 52.13% in comparison with corresponding period of the year before. Loss attributable to shareholders amounting to HK\$341,083,000 as compared to loss attributable to shareholders amounted to HK\$133,856,000 in the previous corresponding period of the previous year. The main goal of current year is to make an effort in recovering receivables and seeking for new investment and business opportunities.

## Property investment and development

The Group's property investment and development business, comprising commercial, industrial and residential projects in Malaysia, China and Hong Kong recorded a turnover of HK\$22,860,000, accounting for 18.50% of total turnover. The significant drop in recorded sales of our wholly owned commercial and residential project at Johor Bahru, Malaysia caused a considerable reduction in turnover contribution from the region.

In addition, the Group disposed of its 65% equity interest in Pioneer Heritage Sdn. Bhd. ("Pioneer Heritage") which engages in property holding led to a decrease in turnover in current year. Consequently, the Group's interest in Pioneer Heritage was reduced from 70% at 1 January 2003 to 5% at 31 December 2003. A gain of approximately HK\$5,063,000 was recorded by the Group for this disposal.

## China

During the current year, the Group disposed of 80.1% interest of the registered capital of a subsidiary, which is principally engaged in property development in Xicheng District, Beijing. A loss of approximately HK\$121,625,000 has been recorded by the Group.

On April 2004, the Group has sold all its remaining interest in the property project in Xicheng District, Beijing which was subsequently completed in September 2004. The disposal is in line with the current investment policy of the Group which is to concentrate on investment and further development of its investment in any entity with an equity interest of 20% or above.

The commercial premises and car parks owned by the Group at Hanzhou Gangchang, Shanghai was subsequently sold in February 2004. The sale proceed from the transaction was used to reduce the debts of the Group and as the Group's working capital.

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## **Information Technology**

The performance of the Group's information technology business was affected by SARS. Its turnover dropped by 57 % to HK\$89,432,000 in comparison with the corresponding period of last year. In view of the keen competition in the information technology industry and loss of key staff of the Group, the Group has ceased the information technology operation and deployed its resources to other core business of the Group as this operation incurred substantial loss. The Group had recognised an impairment loss of approximately HK\$7,362,000 for its associate, Xswim Creative Digital Tech (Beijing) Limited, which is principally engaged in information technology in current year.

However, in a revision of the Company's strategic plan, the Board of the Company is contemplating to revive the trading of computer products and office equipment operations in light of the recent upward wave of economic environment in Hong Kong.

## **Securities broking and investment operations**

In late 2004, the associate of the Group, Koffman Securities had ceased its securities broking, underwriting and placing services, and management and consultancy services due to the continuous decline in turnover for the previous years. Following the cessation of business of Koffman Securities, the Board of the Company resolved on 20 October 2004 to cease the securities broking services and the trading in listed equity investments operations. An impairment loss of approximately HK\$3,402,000 was recognised for the Group's interest in Koffman Securities.

## **Financial services**

The Group's financial business recorded a turnover of HK\$11,266,000 during the year, generating a satisfactory contribution in comparison with the corresponding period of last year.

Notwithstanding the retreat in our operating results, the Group endeavors to strengthen its property investment and development business by consolidating its resources. The Group focuses on concentrating its assets and reducing indebtedness, forming crucial foundation in improving the Group's performance in the future.

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## Financial Review

As at 31 December 2003, the total shareholders fund of the Group amounted to HK\$209.5 million, compared to HK\$538.7 million as at 31 December 2002. The debt ratio (based on the sum of finance lease payable and bank and other borrowings over the equity) and current ratio of the Group as at 31 December 2003 were 0.27 and 0.40 respectively while the ratio as at 31 December 2002 were 0.36 and 0.76 respectively.

Total bank and other borrowings amounted to HK\$56.4 million were mainly secured by legal charge on the Group's investment properties, time deposits and other forms of charges.

The Group's income and expenditure were mainly dominated in HKD, RMB, SGD and MYR. The Group's business operation and investment are transacted in Hong Kong, the PRC, Singapore and Malaysia and its revenue and expenditure in HKD, RMB, SGD and MYR.

## Prospects

The Group maintains a diversified investment portfolio across Malaysia and Hong Kong, and its focus for the year will be to leverage the existing asset base to re-establish steady investment income and more importantly, to improve shareholder returns. The continuing robust performance of the PRC's economy, together with improving conditions in Hong Kong and Malaysia are expected to set the Group well on track to succeed in its core business of property development in the future.

In future, the management will continue to pursue investment opportunities associated with our existing core business. On the other hand, the Group will strive to further strengthen and explore the growth potential of existing operations as and when they arise.