

REVIEW OF OPERATIONS

The Company and its subsidiaries (the "Group") managed to reduce its losses for the financial year ended 31 December 2004 (the "Period"), the Group registered a consolidated loss of HK\$16,810,024, comparing with a loss of HK\$25,433,132 for the same period in 2003. The loss was principally attributable to the provision made against the Group's investment. The reduction in loss was a result of the improvement in the local stock market. During the Period the Group continued to focus on publicly listed companies.

The Hang Seng Index (the "Index" or "HSI") managed to stage a strong rebound after registering its year low of 10,917.65 in May 2004 in spite of the short-lived jitters triggered by the Legislative Council election in September 2004. Share price performances of selected companies, particularly those having plans and investments in the Macau Special Administrative Region, were strong in the last quarter of 2004. Having hit the year high of 14,339.06 on 2 December 2004, the HSI managed to finish the year with a 13.15% year-on-year gain. A total of approximately HK\$265,668.41 million were raised through initial public offers, rights issues and share placements among companies listed on the Main Board of the year ended 31 December 2004, representing a year-on-year increase of 27.09%. In the Growth Enterprises Market (the "GEM"), a total of HK\$5,279.69 million were also raised by various companies, 13.68% more than the corresponding period in the previous year.

To capitalize on the positive market sentiment, the Board proposed rights issue of HK\$0.10 each at HK\$0.14 per rights issue on the basis of one rights share for every three shares held

in November 2004. Net proceeds of HK\$12.2 million were raised. Together with the two share placements completed in the first quarter, the Company raised approximately HK\$27 million for repayment of debts, general working capital and investments during the year.

LIQUIDITY AND CAPITAL RESOURCES

During the year, the Company completed two share placements and one rights issue on the basis of one rights share for every three existing shares held by the shareholders. Additional equity of approximately HK\$28,960,000 has been raised for additional working capital to 31 December 2004.

On 10 January 2005, the Company entered into an agreement to place an additional 15,998,000 ordinary shares of HK\$0.10 each at HK\$0.14 per share, raising net approximately HK\$2,180,000.

As at 31 December 2004, the Company's total shareholders' funds amounted to HK\$127,488,932 (2003: HK\$97,922,065), representing an increase of approximately 30% year-on-year.

In view of the prevailing low interest rates, the Group had applied and been granted credit facilities from one of the Group's principal banks and HK\$50 million was drawn for investments but already been repaid during the year and there was no material contingent liability as at 31 December 2004.

As most of the Group's transactions and bank deposits were denominated in Hong Kong dollars, the Group's exposure to foreign exchange risk was minimal.

INVESTMENT PORTFOLIO

The breakdown of the Group's portfolio of investment assets as at 31 December 2004 is as follows:

Item	Market value <i>HK\$'000</i>	Percentage of consolidated net asset value
Cash and deposits with banks	1,055,097	0.99%
Trading securities	53,600,270	50.14%
Long-term investment securities	56,753,110	53.08%

The Group's investments are classified as trading securities and investment securities pursuant to the Group's investment objectives and policies. In terms of market value, trading securities and investment securities represent 50.14% and 53.08% respectively of the Group's investment portfolio as at 31 December 2004. The Group's portfolio of trading securities covers a wide spectrum of industries, including general trading, property and China investment. The Group's portfolio of long-term investment securities is also well-diversified and covers financial services, general trading and manufacturing. The Group's portfolio of trading securities saw a 73.98% rise in fair value. Book value of the portfolio of investment securities, however, dropped by 30.20%, principally attributable to the provision made against an investment item, which is listed as "Impairment loss of investment securities" in the summarized Profit and Loss account.

The breakdown of the Group's portfolio of investment assets in terms of individual items as at 31 December 2004 is as follows:

Trading Securities

139 Holdings Limited ("139 Holdings") is principally engaged in the manufacture, trading and distribution of garments, shoes and other merchandise. The profit attributable to shareholders of 139 Holdings for the year ended 31 March 2004 was approximately HK\$1,204,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$11,914,000, translating into 11.14% of the Group's consolidated net asset value.

The principal activities of China United International Holdings Limited ("CUIHL") are property investment, investment holding, investment in trading securities and the provision of brokerage and financial services. The loss attributable to shareholders of CUIHL for the year ended 31 December 2003 was approximately HK\$33,739,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$2,490,396, translating into 2.33% of the Group's consolidated net asset value.



Management Discussion and Analysis

The principal activity of Heritage International Holdings Limited (“Heritage”) is property investment and development. It also diversified the business into the investments of high value-added technology-related businesses. The loss attributable to shareholders of Heritage for the year ended 31 March 2004 was approximately HK\$20,255,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$1,998,500, translating into 1.87% of the Group’s consolidated net asset value.

The principal activities of Wonson International Holdings Limited (“Wonson”) are metal trading and strategic investment. It owns 34.87% equity in Beauforte Investors Corporations Limited. The loss attributable to shareholders of Wonson for the year ended 31 December 2003 was approximately HK\$199,424,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$12,943,000, translating into 12.11% of the Group’s consolidated net asset value.

The principal activities of China Sci-Tech Holdings Limited (“China Sci-Tech”) are the manufacture and sale of telecommunication products and the trading of electronic and electrical products. The loss attributable to shareholders of China Sci-Tech for the year ended 31 March 2004 was approximately HK\$60,534,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$16,975,724, translating into 15.88% of the Group’s consolidated net asset value.

Semiconductor Manufacturing International Corporation (“SMIC”) is a semiconductor foundry providing integrated circuit (“IC”) manufacturing at 0.35-micron to 0.13-micron and finer line technologies to customers worldwide. Established in 2000, SMIC has four 8-inch wafer fabrication facilities in volume production in Shanghai and Tianjin. Shares of SMIC commenced trading on the Stock Exchange on 18 March 2004. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$2,704,000, translating into 2.53% of the Group’s consolidated net asset value.

Investment Securities

Poly Investments Holdings Limited (“Poly Investments”) is principally engaged in the manufacturing and trading of chemical fibers, property investment, securities investment and financial services. The Group also owns a 30% equity interest in a company, which operates shopping centers in Shanghai and Suzhou, the PRC, and an effective 37% equity interest in a company, which operates a hospital in Xian, the PRC. The profit attributable to shareholders of Poly Investments for the year ended 31 December 2003 was approximately HK\$13,644,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$4,338,360, translating into 4.06% of the Group’s consolidated net asset value.

Management Discussion and Analysis

The principal activities of Yugang International Limited ("Yugang") are trading of audio-visual products and components, industrial equipment, automobile parts, agricultural products and investment and property holding. Its principal listed subsidiaries and associated companies include: the 51.48% owned Qualipak International Holdings Limited, the 34.25% owned Y.T. Realty Group Limited which holds a 26.81% equity stake in Cross-Harbour (Holdings) Limited. The profit attributable to shareholders of Yugang for the year ended 31 December 2003 was approximately HK\$107,267,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$44,307,750, translating into 41.44% of the Group's consolidated net asset value.

The principal activities of Qualipak International Holdings Limited ("Qualipak") are the design, development, manufacture and sale of packaging products for designer label items and luxury consumer goods, point-of-sale display units and office stationery. The profit attributable to shareholders of Qualipak for the year ended 31 December 2003 was approximately HK\$28,902,000. During the year, the Company has not received any dividend from this investment. On 31 December 2003, market value of this item amounted to HK\$8,107,000, translating into 7.58% of the Group's consolidated net asset value.

The principal activity of Hennabun Management International Limited (formerly named as Hennabun Management Inc) ("HMI") is the provision of comprehensive financial services covering stock brokerage, investment advisory

and money lending. The loss attributable to shareholders of HMI for the year ended 31 December 2004 was approximately HK\$205,611,620. During the year, the Company has not received any dividend from this investment. As at 31 December 2004, a full provision has been made to this investment.

PROSPECTS

Hong Kong economy is witnessing a gradual recovery, which may provide better opportunities in the market enabling the Company to achieve its investment targets. In anticipation of such improvement and to further enhance the financial flexibility and to erase part of the Company's accumulated losses, the Board put forward proposals to raise its authorized capital and reduce its share capital recently. Details are presented in a separate Circular dispatched to shareholders of the Company in January 2005. The Board believes that these corporate exercises would help the Group build a stronger platform for capturing opportunities.

PLEDGE OF ASSETS

During the year, HK\$50 million was drawn for investments and the whole amount has been repaid by year end. As at 31 December 2004, margin facilities from a financial institution were granted to the Company which were secured by the Company's investment and trading securities. As at 31 December 2004, a total amount of HK\$3,876,000 has been utilised against these facilities, there was no material contingent liability as at 31 December 2004.

EMPLOYEES

The Group had 9 employees, including 4 executive directors and 4 independent non-executive directors remunerated based on their performance, working experience and prevailing market standards. For the year ended 31 December 2004, the total staff costs paid/payable to these 4 directors by the Group were approximately HK\$586,076 (2003: HK\$1,104,200) and there has been no significant change in the Group's remuneration policy.

By order of the Board

PANG Shuen Wai, Nichols

Executive Director

Hong Kong, 18 March 2005