



## MANAGEMENT DISCUSSION AND ANALYSIS

### Results analysis

For the year ended 31st March, 2005, the Group recorded a turnover of approximately HK\$2.10 million, represented a decrease of approximately 2.23 million when compared with those in the corresponding year in 2004. This unfavourable performance was due mainly to lesser disposal of listed investment in securities than last year. Although the recorded turnover slipped 52% as compared to that in last year, the recorded net loss for the year amounting to approximately HK\$3.52 million was improved by 67% as compared with the net loss of approximately HK\$10.61 million recorded the same period last year. The improvement was due mainly to decrease in loss on disposal of investment in non-trading securities and no further allowance for other receivable made by the Group during the year. In turn, with the proactive actions taken by the Directors, the Group recovered other receivable amounted HK\$168,000 from one of the debtors and also received waiver from our former related companies to waive the outstanding amounted of HK\$617,000 that we were in dispute and were not paid to them previous year and contributed to income of the year. The administrative expenses incurred by the Group were kept at a reasonable lower level, a decrease of more than HK\$0.55 million as a result of strict cost control measures adopted years ago. In brief, the cost structure of the Group has been successfully locked at the least possible efficient level. On a per share basis, basic loss per share was HK\$0.0099 (2004: HK\$0.0375) and net assets value per share was HK\$0.06 at the balance sheet date (2004: HK\$0.08).

## BUSINESS REVIEW

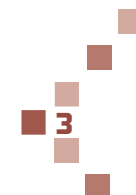
### Operating Review

During the year under review, Hong Kong economy had been driven by the outstanding performance of retails sales and foreign trade and maintained an upward trend in growth. Although the performance of the stock market fluctuated in the middle of the year as the result of rising crude oil price and interest rates, investors gradually regained confidence in Hong Kong stocks in the following various favourable factors, such as the growth in tourism, the rebound in local spending, as well as the unemployment is expected to improve significantly in 2005. The Group has continued to consolidate the investment portfolio objective of minimizing losses arising from unsound investments and strengthening its investments with stable revenue generating power.

## FUTURE OUTLOOK

In 2005, the Group will continue to identify and pursue investment opportunities in Hong Kong, in the People's Republic of China (the "PRC") and other areas in accordance with the Company's investment objectives and policies.

The Group has an optimistic view on Hong Kong's economic prospect as well as the mainland economy growth and will continue to reinforce its commitment in improving its performance in years ahead. On one hand, the management of the Group will continue to exercise stringent cost control and expenses control to minimize operating costs through enhanced flexibility and efficiency. On the other hand, the Group will work closely with its investment manager to identify suitable investment targets and will also evaluate strategic exit opportunities in order to realize capital gain and to create value for our shareholders.



## **FINANCIAL RESOURCES**

### **Financial resources and liquidity**

At year-end date, the Group had long term receivable increased to HK\$46,000 (2004: HK\$15,000) due to further accrued the interest income receivable from the investments in the unlisted convertible bond. As at 31st March, 2005, the Group had net current assets of HK\$11,689,000 (2004: HK\$4,123,000) where the net assets amounted to HK\$22,701,000 (2004: HK\$28,101,000) and no borrowings or bank loan or long term liabilities as at 31st March, 2005. At the same day, the Group's cash and bank balances amounted to HK\$357,000 (2004: HK\$5,017,000).

At 31st March, 2005, approximately 35% of the value of the Group's investments was in a portfolio of listed shares and approximately 19% in unlisted investments while the remaining was in the form of cash and convertible bond.

In terms of liquidity, the current ratio, calculated on the basis of the total current assets over total current liabilities at year-end date was 12.34 (2004:3.25) and the gearing ratio, calculated on the basis of the total liabilities over total shareholders' fund as at 31st March, 2005, was 0.045 (2004: 0.065).

### **Employees**

As at 31st March, 2005, the Group has employed 4 employees and the total remuneration paid to staff was approximately HK\$1,285,000 during the year under review. The employees were remunerated based on their responsibilities and performance.

### **Appreciation**

The Board would like to take this opportunity to express its gratitude to our former fellow Directors, Company Secretary and Investment Manager for their contribution and support to the Group.

On behalf of the Board of Directors, I thank the management team and our staff for their continued and dedicated efforts and wish to offer as well our sincere appreciation to our Investment Manager, bankers and shareholders for their support during the year.

**Wang Chun Lin**

*Chairman*

Hong Kong, 26th July, 2005