

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group continued to be principally engaged in two major businesses - strategic investments and capital market activities as well as financing business. This year has been challenging due to the dampening effect on investor confidence caused by increasing uncertainty in the overseas investment environment. In order to broaden the Group's earnings base, we have been actively identifying suitable opportunities for our key business strategy of diversification. In this connection, the Group announced in July 2005 that it had entered into a sale and purchase agreement to tap the high-growth solar energy business.

Strategic Investments and Capital Market Activities

For the first half of the financial year, the unfavorable investment environment in major overseas stock markets, including renewed fears over terrorist attacks, heightened tension in the Middle East and rising concern over interest-rate hikes and high oil prices, adversely affected the performance of the Group's securities investments. Conversely, improving economic conditions strengthened market confidence in the second half. In Hong Kong, there was good macroeconomic news with deflation officially declared to have ended in October 2004 and the unemployment rate dropping to 6.4% for the year ended 31 March 2005. The continued recovery of Hong Kong's property market and strong land sales further boosted market sentiment. As such, during the period of review, except for an unrealized loss on securities amounting to HK\$22 million, the realized gain on securities trading recorded a profit of HK\$3 million.

Financing Business

The Group continued to record positive results in financing services in early 2004. For the period under review, turnover from this business segment accounted for 6% of the total turnover of the Group. Demand for finance is growing in tandem with the general expansion of corporate and investment activity and we believe that the Group will benefit from these opportunities. We will continue to adopt a prudent and conservative financing policy while maintaining strict control of risk to protect the interests of our shareholders.

業務回顧及展望

於回顧期內，本集團繼續從事兩項主要業務－策略性投資及資本市場活動，以及融資業務。由於業務受海外投資環境不明朗及投資者信心下滑的影響，本年度對集團來說是極具挑戰的一年。集團為擴大其收入來源，一直積極尋找合適的機會以落實其多元化發展的業務策略。為此，集團於二零零五年七月公佈已訂立買賣協議，開拓高增長的太陽能設備相關業務。

策略性投資及資本市場活動

本財政年度首半年期間，由於面對恐怖襲擊重臨之危機，中東局勢愈趨緊張，加上市場憂慮加息及油價高企，令主要海外股票市場表現下滑，對集團的證券投資造成負面影響。相反，下半年的經濟環境持續改善，增強了市場的信心。香港的整體經濟利好消息不斷，包括通縮已於二零零四年十月正式宣告結束，失業率亦於二零零五年三月三十一日止之年度下降至6.4%。香港的地產市場持續復甦以及賣地成績理想，均進一步帶動市場氣氛。故此，於回顧期內，撇除證券投資未變現虧損22,000,000港元，證券貿易錄得已變現收益3,000,000港元。

融資業務

集團的融資業務於二零零四年初錄得良好業績。於回顧期內，此業務的營業額為集團總營業額的6%。隨著企業及投資活動再度活躍，融資服務的需求亦隨之增加，繼而為本集團帶來大量商機。我們會繼續履行謹慎保守的融資政策，並嚴格控制風險水平，以保障股東的利益。

Placing of New Shares

In November 2004, the Company completed the placement of 340 million new shares to independent investors, at HK\$0.04 per share, raising net proceeds of approximately HK\$13 million which was used for general working capital and future investments. We were delighted with the overwhelming positive response from independent investors to this placement, which we believe is a reflection of the financial market's confidence in the Group's investment value and growth potential. The placement has not only broadened the Group's shareholder base but also boost the liquidity of our shares.

Private Placing of Listed Warrants

In June 2005, the Company issued up to a maximum of 550,000,000 listed warrants by way of private placing at the issue price of HK\$0.046, each conferring the right to subscribe for one new share at the initial exercise price of HK\$0.116 up to an aggregate amount of HK\$63,800,000 at any time during the period from 4 July 2005 to 3 July 2007. The Directors are of the view that the placing of warrant is a good opportunity to strengthen the Group's financial position and enhance its ability to develop and capture business opportunities.

Acquisition of Solar Energy Business

In July 2005, the Company entered into a sale and purchase agreement with Multichannel Investments Limited. Pursuant to the agreement, the Company will acquire the entire issued share capital of Eaglefly Technology Limited ("Eaglefly") for a total consideration of approximately HK\$123 million. Upon completion of the acquisition, Eaglefly will be a wholly-owned subsidiary of the Company. The Group, through Eaglefly, will hold a 51% equity interest in Terra Solar Global Inc. and its subsidiaries (the "Terra Solar Group") with this investment forming the basis of the Group's entry into the solar energy business. The Group believes that solar power will bring dynamic, long-term business opportunities, especially against the background of recent oil price rises, growing worldwide energy demand and the apparent decline in fossil-fuels reserves as an affordable and sustainable resource. In addition, the Group believes its investment in the Terra Solar Group will strengthen the Group's earning potential and recurrent income base and have a positive impact on the Group's long term profitability.

配售新股

二零零四年十一月，本公司完成向獨立投資者配售340,000,000股新股份，每股作價0.04港元，集資所得款項淨額約為13,000,000港元，用作一般營運資金及未來投資之用。我們喜見此次配股得到獨立投資者的大力支持，充份反映金融市場對本集團的投資價值及增長潛力信心十足。此舉有利本集團擴大股東基礎並增加股份流通量。

私人配售上市認股權證

二零零五年六月，本公司以私人配售方式發行最多550,000,000份上市認股權證，每單位認股權證之發行價為0.046港元，賦予權利可於二零零五年七月四日至二零零七年七月三日止期間內任何時間，以初步行使價每股0.116港元認購一股新股，合共可認購最多63,800,000港元之股份。董事認為是次配售認股權證為集團鞏固財務狀況提供良機，並增強其發展及開拓商機的能力。

收購太陽能業務

二零零五年七月，本公司與Multichannel Investments Limited訂立買賣協議。根據協議，本公司以總代價約123,000,000港元收購Eaglefly Technology Limited (「Eaglefly」) 全部已發行股本。收購完成後，Eaglefly將成為本公司之全資附屬公司。集團亦將透過Eaglefly持有Terra Solar Global Inc.及其附屬公司 (「Terra Solar集團」) 51%權益，藉此為集團進軍太陽能業務奠定基礎。鑒於近期油價上漲，全球對能源需求上升，以及化石燃料的價格競爭力及可持續發展性減弱，集團相信太陽能將為集團帶來充滿活力且長遠的商機。再者，集團深信Terra Solar集團的投資可鞏固本集團之盈利潛力及經常性收入基礎，對本集團之長遠盈利能力將帶來正面影響。

Outlook

The Group will continue to execute its strategy of diversification. Therefore, we will focus on three core business segments: strategic investments and capital market activities, financing business and solar energy business. The Group is optimistic that Hong Kong's economy will maintain solid growth and provide new opportunities in its capital market, financial and corporate advisory businesses. In particular, Hong Kong ranked first in Asia and third in the world last year in terms of capital raised, with total IPO and post-IPO equity funds reaching some HK\$265 billion, out-performing the London and Tokyo stock exchanges. This demonstrates that Hong Kong has further consolidated its position as the premier international capital-raising center for Mainland China. Moreover, in July 2005, the Mainland China's central bank revalued the Chinese yuan by 2.1 per cent, abandoning the yuan peg to the US dollar and letting it float in a tight band against a basket of foreign currencies. Other Asian currencies will benefit from RMB appreciation and the Group will grasp this opportunity to bring favourable returns to its shareholders.

FINANCIAL REVIEW

Results

For the year ended 31 March 2005, the Group recorded a turnover of approximately HK\$48,174,000 (2004: HK\$61,184,000), representing a decrease of 21%. The decrease in turnover was mainly due to the decrease in contribution from the strategic investments and capital market activities. Turnover of this segment was approximately HK\$45,120,000 during the year ended 31 March 2005 (2004: HK\$60,974,000).

Loss attributable to shareholders was HK\$376,313,000 (2004: loss of HK\$2,126,000). The basic loss per share was 18.05 cents (2004: 0.14 cents). The loss was mainly due to the provision of doubtful debts in other receivables which resulted in a provision of HK\$350,000,000 and an unrealized loss on trading securities of HK\$21,569,000.

前景

集團將繼續落實業務多元化的策略，集中於三項核心業務：策略性投資及資本市場活動、融資業務以及太陽能業務。本集團對香港經濟保持穩健增長感到樂觀，並將為資本市場、融資及企業顧問服務帶來新商機。去年首次公開招股及上市後的集資總額約為2,650億港元，令香港晉身為亞洲最大及世界第三大的集資中心，超越倫敦及東京交易所，凸顯香港作為國家首要國際集資中心的地位。再者，中國的中央銀行於二零零五年七月將人民幣升值2.1%，與美元脫鈎，改為與一籃子貨幣掛鈎並跟隨其價格浮動。其他亞洲貨幣將受惠於人民幣升值，而集團亦將抓緊此良機，為股東創造豐厚的回報。

財務回顧

業績

於截至二零零五年三月三十一日止年度，本集團營業額約為48,174,000港元（二零零四年：61,184,000港元），下降21%。營業額下降主要因策略性投資及資本市場業務之貢獻減少所致。於截至二零零五年三月三十一日止年度，此分部之營業額約為45,120,000港元（二零零四年：60,974,000港元）。

股東應佔虧損為376,313,000港元（二零零四年：虧損2,126,000港元）。每股基本虧損為18.05仙（二零零四年：0.14仙）。有關虧損主要由於就其他應收款項之呆賬作出撥備350,000,000港元，以及產生交易證券之未變現虧損21,569,000港元所致。

Management Discussion and Analysis (continued)

管理層討論及分析 (續)

The provision of HK\$350,000,000 represented the non-payment of the consideration from the disposal of the Group's interest in 87.5% of the issued shares in REXCAPITAL Infrastructure Limited ("RIL"). On 29 October 2003, the Group entered into a sale and purchase agreement with Sky China Holdings Limited, an independent third party, for the disposal of a 87.5% interest in RIL. Despite repeated demands made by the Group, Sky China Holdings Limited has failed to make full payment. As a result of default in payment of the purchase consideration, the Group decided to adopt a prudent treatment in respect of doubtful debts and accordingly a provision of HK\$350,000,000 has been made.

Liquidity, Financial Resources and Funding

At 31 March 2005, the Group had net current assets of HK\$38,042,000 (2004: HK\$369,677,000). The decrease was again due to the provision of doubtful debt amount to HK\$350,000,000.

At 31 March 2005, the Group had a total of HK\$7,841,000 in cash and cash equivalents (2004: HK\$1,217,000). Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

Net cash inflow from operating activities for the year ended 31 March 2005 was approximately HK\$4 million as compared to a net cash outflow of approximately HK\$72 million for the year ended 31 March 2004. The increase in inflow was mainly explained by the decreased in trading securities purchased during this year and decreased in loans receivables. The Group will continue to adopt a prudent approach to monitor and control the Group's risk exposure. Net cash inflow of HK\$50 million from investing activities for the year ended 31 March 2004 represented the proceeds received from disposal of a 12.5% interest in a subsidiary. Net cash inflow from financing activities for the year ended 31 March 2005 was approximately HK\$2 million as compared to HK\$15 million for the year ended 31 March 2004. The decrease in cash inflow from the financing activities during this year represent the net of the repayment of convertible notes of HK\$11 million and other cash inflow from financing activities.

為數350,000,000港元之撥備指出售本集團於REXCAPITAL Infrastructure Limited ("RIL")之87.5%已發行股份權益而未能收取之代價款項。於二零零三年十月二十九日，本集團與獨立第三方Sky China Holdings Limited訂立買賣協議，以出售RIL之87.5%權益。儘管本集團多番要求，Sky China Holdings Limited仍未能全數支付款項。基於未能如期收取購買代價款項，本集團決定對呆賬採取審慎措施，因而作出撥備350,000,000港元。

流動資金、財務資源及資金

於二零零五年三月三十一日，本集團流動資產淨值為38,042,000港元（二零零四年：369,677,000港元）。有關跌幅亦由於作出呆賬撥備350,000,000港元所致。

於二零零五年三月三十一日，本集團現金及現金等價物共為7,841,000港元（二零零四年：1,217,000港元）。大部分現金儲備以港幣短期存款方式存放於香港主要銀行。

截至二零零五年三月三十一日止年度經營業務現金流入淨額約為4,000,000港元，而截至二零零四年三月三十一日止年度現金流出淨額約為72,000,000港元。現金流入增加主要因年內減少購入交易證券，以及應收貸款減少所致。本集團將繼續採取審慎措施以監督及控制本集團承擔之風險。截至二零零四年三月三十一日止年度投資活動現金流入淨額50,000,000港元為出售附屬公司12.5%權益之所得款項。截至二零零五年三月三十一日止年度之融資業務現金流入淨額約為2,000,000港元，而截至二零零四年三月三十一日止年度則為15,000,000港元。年內之融資業務現金流入減少反映扣除償還可換股票據11,000,000港元及融資業務其他現金流入。

Management Discussion and Analysis (continued)

管理層討論及分析 (續)

As at 31 March 2005, the Group had outstanding loans of HK\$6,752,000 which included a secured loans of HK\$2,787,000 (2004: HK\$10,073,000) and an unsecured loan of HK\$3,965,000 (2004: HK\$Nil). The loans were denominated in Hong Kong dollars and interest bearing at prevailing commercial lending rates. These loans were used to finance the Group's operations.

The gearing ratio of the Group increased slightly to 19% as at 31 March 2005 from 13% as at 31 March 2004 (it is derived by dividing the aggregate amount of bank borrowings, convertible bonds and other borrowings by the amount of shareholders' equity). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 292% (2004: 692%), reflecting adequacy of financial resources.

The indebtedness of the Group decreased by 71% from HK\$55,073,000 as at 31 March 2004 to HK\$16,147,000 as at 31 March 2005. Of the total debts outstanding as at 31 March 2005, all of them are due within one year (2004: due within one year). During the year, the Group continued to maintain most of its borrowings on an unsecured basis.

Taking into account the financial resources available to the Group including internally generated funds and available facilities, the Group has sufficient working capital to meet its present requirements.

Funding Strategy and Foreign Exchange Exposure

To manage the risk associated with an uncertain market environment, the Group pursues a funding strategy of using equity as far as possible to finance long-term investments.

The Group is exposed to a very limited level of exchange risk as the business transactions of the Group are mainly denominated in Hong Kong dollars.

於二零零五年三月三十一日，本集團未償還貸款共6,752,000港元，包括有抵押貸款2,787,000港元（二零零四年：10,073,000港元）及無抵押貸款3,965,000港元（二零零四年：零港元）。貸款以港元為單位，並按現行商業借貸利率計息。貸款用作本集團營運資金。

本集團之負債比率（將銀行貸款、可換股債券及其他借貸總額除以股東權益）由二零零四年三月三十一日之13%輕微上升至二零零五年三月三十一日之19%。本集團以流動資產除以流動負債計算之流動資金比率為292%（二零零四年：692%），反映財政資源充裕。

本集團債務由二零零四年三月三十一日之55,073,000港元下降71%至二零零五年三月三十一日之16,147,000港元。於二零零五年三月三十一日之全部未償還債務中，全部均須於一年內償還（二零零四年：須於一年內償還）。於本年內，本集團繼續以無需抵押方式進行大部分借貸。

考慮到本集團可動用之財務資源，包括內部資金以及可動用之貸款，本集團有足夠營運資金應付目前所需。

融資策略及外匯風險

為控制不明朗市況所涉及之風險，本集團之融資策略在於盡量使用股本作為長期投資所需資金。

由於本集團業務交易主要以港元進行，本集團面對之外匯風險非常有限。

Share Capital Structure

During the year under review, a placing of 340,000,000 new shares of HK\$0.01 each at a price of HK\$0.04 per share was made by the Company. The net placing proceeds of approximately HK\$13 million was used as the general working capital of the Company.

Share options exercised at HK\$0.0448 per share on 4 October 2004 resulted in the issue of 85,469,970 ordinary shares of the Company. The total proceed received of HK\$3.8 million was used as the general working capital of the Company.

On 24 November 2004, 2% convertible notes of HK\$7,000,000 were converted into 179,487,179 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.039 per share. Then on 29 November 2004, 2% convertible notes of HK\$8,000,000 were converted into 200,000,000 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.04 per share. On 1 December 2004, 2% convertible notes of HK\$10,000,000 were converted into 238,095,238 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.042 per share.

Apart from the above, there was no change in the share capital structure of the Company during the year under review.

Material Acquisition and Disposal of Subsidiaries

On 12 January 2004, the Group entered into a conditional sale and purchase agreement with REXCAPITAL Financial Holdings Limited regarding the acquisition of the entire issued share capital of REXCAPITAL Financial Group Limited ("RFG") at a consideration of HK\$229,000,000, subject to adjustment with reference to the unaudited consolidated net asset value of RFG and its subsidiaries (together the "RFG Group") as at the determination date in accordance with the terms of the sale and purchase agreement, and will be payable in cash upon completion. The RFG Group is principally engaged in the provision of financial services including broking, securities margin financing and asset management. This transaction has been terminated on 6 May 2005 as the Group was not satisfied with the result of the due diligence review on RFG Group.

股本結構

於回顧年內，本公司以每股0.04港元之價格配售340,000,000股每股面值0.01港元之新股。配售所得款項淨額約13,000,000港元，用作本公司一般營運資金。

於二零零四年十月四日，購股權以每股0.0448港元之價格被行使，致使本公司發行85,469,970股普通股。所得款項共為3,800,000港元，用作本公司一般營運資金。

於二零零四年十一月二十四日，價值為7,000,000港元之2%可換股票據，以每股0.039港元之換股價，轉換為179,487,179股每股面值0.01港元之本公司普通股。於二零零四年十一月二十九日，價值為8,000,000港元之2%可換股票據，以每股0.04港元之換股價，轉換為200,000,000股每股面值0.01港元之本公司普通股。於二零零四年十二月一日，價值為10,000,000港元之2%可換股票據，以每股0.042港元之價格，轉換為238,095,238股每股面值0.01港元之本公司普通股。

除上文所述外，本公司於回顧年內之股本結構並無變動。

重大收購及出售附屬公司

於二零零四年一月十二日，本集團與御泰金融控股有限公司簽訂有條件買賣協議，收購REXCAPITAL Financial Group Limited (「RFG」) 全部已發行股本，代價為229,000,000港元，惟須根據買賣協議之條款根據RFG及其附屬公司(統稱「RFG集團」)於釐定日期之未經審核綜合資產之淨值而調整，並於完成後以現金支付。RFG集團主要業務為提供金融服務，包括經紀業務、證券孖展融資服務以及資產管理。由於本集團不信納RFG集團之盡職審查報告結果，故此項交易已於二零零五年五月六日終止。

Management Discussion and Analysis *(continued)*

管理層討論及分析 *(續)*

Charges on Group's Assets

As at 31 March 2005, the Group's trading securities with market value of approximately HK\$11,018,000 have been pledged to secure other loans granted to its subsidiary (2004: HK\$28,989,000).

Contingent Liabilities

As at 31 March 2005, the Group had no material contingent liabilities (2004: HK\$Nil).

Human Resources

As at 31 March 2005, the Group had 13 full time employees.

The Group remunerated its employees mainly based on the individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share option may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

集團資產抵押

於二零零五年三月三十一日，本集團市值約11,018,000港元之交易證券已作抵押，以為其附屬公司取得其他貸款（二零零四年：28,989,000港元）。

或然負債

於二零零五年三月三十一日，本集團並無重大或然負債（二零零四年：零港元）。

人力資源

於二零零五年三月三十一日，本集團共有13名全職僱員。

本集團主要按個別員工之表現及經驗釐定員工薪酬。除基本薪酬外，本集團亦會按本集團業績及個別員工之表現向合資格僱員發放不定額花紅及購股權。