

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.

The Group has experienced serious financial difficulties for the year ended 31 December 2004 and the results under review generally reflected the situation. The Group recorded a consolidated turnover of HK\$12,329,000, a 90% decrease as compared with that of last year. Loss attributable to shareholders, however, has been narrowed to HK\$29,962,000 as compared to HK\$341,083,000 recorded in last year. Improving the financial condition of the Group becomes the primary target of the management in the coming year.

Property development and investment

The Group's property development and investment business, comprising commercial, industrial and residential projects in Malaysia, Mainland China and Hong Kong, recorded a turnover of HK\$8,764,000, accounted for 71% of total turnover for the year. The drop in pre-sale income from the commercial and residential project at Johor Bahru, Malaysia as well as the non-existence of rental income of approximately HK\$8,158,000 from a then subsidiary for the year 2003 constituted the considerable reduction in total turnover for the year.

Other investments

The Group's financial business recorded a turnover of HK\$3,565,000 during the year, representing a 68% decline as compared to the corresponding period of last year. The decline was mainly due to the Group's contraction in the financial services as a result of its own financial difficulties.

In order to avoid the sustained loss caused by unfavourable economic environment and the continued decline in turnover, the Group has ceased its securities broking and investment operation in October 2004.

Trading of computer products and office equipment

The cease of the operation of the trading of computer products and office equipment in last year also accounted for the non-existence of a turnover of approximately HK\$89,412,000.

Notwithstanding the continued deficit in our operating results, the Group will focus on seeking new source of finance to form a better foundation to improve the Group's performance in the future.

Financial review

As at 31 December 2004, the total shareholders fund of the Group amounted to HK\$ 180 million, compared to HK\$ 209.5 million as at 31 December 2003. The debt ratio (based on the sum of current liability and long-term liability over the equity) of the Group as at 31 December 2004 was 0.35 while the ratio as at 31 December 2003 was 0.34.

Total bank and other borrowings amounted to HK\$43.1 million and 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 of the Group are translated in Hong Kong, the PRC, Singapore and Malaysia and its revenue and expenditure in HKD, RMB, SGD and MYR.

Prospects

The Group has only retained its property investment in Malaysia and Hong Kong. As the operating income of the Group continues to diminish, focus for the year will be on resolving the financial difficulties encountered by the Group. The Group will actively seek for potential investors and/or financing to strengthen its financial base and will restructure its existing operation to improve shareholders' returns. The 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 restructuring and future development.