

## Management Discussion and Analysis

The Group's turnover for the year 2004 increased by 7% to approximately HK\$4.35 million. Net realized and unrealized gain on trading securities amounted to HK\$2.69 million as compared to a gain of HK\$13.68 million for the year 2003. The Group's trading business has improved slightly and investment in securities has again yielded profit for the year. On 5 January 2004, the Group signed an agreement to dispose of its entire equity interest in the issued share capital of Beauforte Investors Corporation Limited ("Beauforte") to independent third parties for an aggregate consideration of HK\$78 million, and the transaction was completed on 4 March 2004. Details of this transaction has been disclosed in the Company's announcements dated 9 January, 20 February and 4 March 2004 and the Company's circular dated 30 January 2004. As a result, a gain on disposal of interests in associates amounted to HK\$12.25 million was recognized, and there was no amortisation of goodwill or impairment loss recognized in respect of the interests in associates. Overall, net loss for the year 2004 was thus reduced to approximately HK\$2.22 million from a loss of HK\$199.42 million in 2003.

As at 31 December 2004, the Group had cash and bank balances of approximately HK\$10.12 million and investments in securities of approximately HK\$22.62 million at market value. During the year 2004, the Group had fully repaid its convertible note payable ("Convertible Note") in the principal amount of HK\$58 million. The Convertible Note was originally issued on 3 July 2001 and is unsecured. It bore interest at 7% per annum and matured on the third anniversary of the date of issue. Thus the Group had no loans or other borrowings at the end of 2004. The Group employed about twenty staff. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. During the year, no share options have been granted under the share option scheme. Total staff costs was around HK\$10.33 million.

Subsequent to the year ended 31 December 2004, the Company entered into an agreement with a placing agent on 5 January 2005 for placement of convertible notes issued by the Company up to an aggregate principal amount of HK\$50 million. The convertible notes are unsecured and bear interest at 3% per annum, payable upon one year from the date of issue. Details of which has been disclosed in the Company's announcement dated 5 January 2005 and the circular dated 19 January 2005. As at the date hereof, all the convertible notes have been redeemed and repaid in full.

On 10 January 2005, the Company entered into agreement with a placing agent for placement of 1,367,484,000 new shares at a price of HK\$0.052 per new share on a fully underwritten basis (the "First Placing"). On the same date, the Company entered into another agreement for placement of 3,000,000,000 new shares at a price of HK0.052 per new share on a best effort basis (the "Second Placing"). As at the date hereof, the First Placing has been completed whilst the Second Placing has not yet been completed. Details of the First Placing and the Second Placing have been disclosed in the Company's announcements dated 10 January, 28 February and 24 March 2005 and circular dated 19 January 2005.