

### BUSINESS REVIEW AND PROSPECTS

The financial year ended 31 March 2004 was a year of challenge and transformation for the Group. During the year under review, the Group has come to the strategic decision to discontinue its telecommunications and technology-related business in order to better focus its resources on the Group's strategic investment and capital market activities. The Group will build on its strong corporate brand name, financial strength and professionalism to serve the capital market and financing needs of its customers in Hong Kong and the region generally.

During the year under review, Hong Kong has been hard hit by the outbreak and the aftermath of SARS. At its height, SARS has practically caused the economic activities of Hong Kong to come to a halt. Even when the blast of SARS has subsided, its aftermath still has a very significant damping effect on the recovery of the Hong Kong economy and that of the region where the Group operates in.

As such, the operating results of the Group was also adversely affected.

#### Strategic Investments and Capital Market Activities

During the year under review, our Group's business in this area has been greatly affected by the outbreak of SARS and its aftermath. During this period, merger and acquisition and financial advisory activities were also greatly affected. Thus, our Group's corporate finance revenue also slowed down.

On brighter note, the economy of Hong Kong has shown signs of recovery. With the introduction of CEPA and the Facilitated Individual Travel (FIT) programme, it is the Group's belief that such positive developments will become the engine for the recovery of Hong Kong economy as these policies clearly demonstrate the determination of our central and local governments to support the economy of Hong Kong and to maintain Hong Kong's position as a premier capital market in the region. While we must remain cautious and not read too much into these policies and their immediate benefits to the capital market activities in Hong Kong, we are optimistic that such policies will create long term benefits to the Hong Kong capital

### 業務回顧及展望

截至二零零四年三月三十一日止之財政年度，對本集團而言是充滿挑戰的一年，亦是面對轉型的一年。回顧期內，本集團作出策略性的決定，終止經營電訊及科技相關業務，以便將本集團的資源專注發展策略性投資及資本市場活動。本集團會以強勢的企業品牌和穩健的財政狀況，加上卓越的專業服務，為香港以及其他大中華地區的客户提供金融服務，滿足他們在資本市場融資的需要。

回顧期間，香港受非典型肺炎爆發及其持續的影響衝擊。疫症最嚴峻的時期，香港的經濟活動幾乎陷於停頓。縱使疫症漸漸遠離香港，非典型肺炎的持續影響仍然阻礙香港的經濟復甦步伐，亦影響本集團的業務。

因此之故，本集團的營運表現受到負面影響。

#### 策略性投資及資本市場業務

回顧期間，本集團的策略性投資及資本市場業務受非典型肺炎爆發的打擊，疫症的持續負面影響，令本集團的企業併購業務及財務顧問服務受壓。因此，本集團企業財務部的收益下調。

值得欣喜的是，香港的經濟現已呈現復甦跡象。本集團深信，隨著《更緊密經貿關係安排》的落實及擴大內地個人遊的實施，將帶動香港經濟復甦的步伐，這兩項政策顯示中央和地方政府正大力推動香港經濟，並努力維持香港作為大中華地區資本市場的龍頭地位。縱使我們對這兩項政策及其即時貢獻抱持審慎的態度，本集團對香港的長遠資本市場發展仍感樂觀，香港的金融服務企業

markets and thus providing a wealth of opportunities for companies like ourselves, to develop and prosper in the years to come.

### Discontinuation of Telecommunications and Technology-related Business

After extensive research and consideration, the Group has come to the conclusion that under the current environment, it would be difficult for the Group, as a foreign investor, to participate in the telecommunications business in China.

As such, the Group has decided to discontinue its telecommunications and technology-related business, and to dispose of its non-core assets including its investments in the fibre-optic network in China during the year.

Pursuant to this strategy of disposing non-core assets, the Group disposed of its entire interest in REXCAPITAL Infrastructure Limited, an intermediate holding company investing in the said fibre-optic networking to two independent third parties for a total consideration of HK\$400 million of which HK\$350 million due from one of the purchasers remains outstanding.

### Eyeing on the Regional Market

With good reputation and solid foundation, Hong Kong is an ideal international financial centre for Asian enterprises. Apart from eyeing on the China market, the Group will vigorously seek business opportunities in other parts of Asia.

People is the critical success factor in strategic investments and capital market activities. As a result, attracting and retaining the right talent has always been among the Group's top priorities. Backed by excellent track records, our team is highly motivated and has demonstrated a strong esprit de corps. With the expansion of our business, the management will continue to look for talent with diverse cultural and professional backgrounds.

Looking ahead, the Group is confident of a bright future. With a clear business focus, the Group will continue to be one of the important players in the Hong Kong capital market. With the growing importance of Hong Kong as an international financial centre for

包括本集團必會因而受惠，有助未來發展並將業務推向高峰。

### 終止電訊及科技相關業務

經過深入的分析 and 周密的考慮後，管理層認為，在目前的市況下，本集團作為海外投資者，難以參與中國的電訊業務。

因此，本集團決定終止電訊及科技相關業務，並同時出售非核心資產，包括其中投資於中國的光纖網絡。

按照出售非核心資產的決策，本集團續向兩名獨立第三者出售所有REXCAPITAL Infrastructure Limited的全部權益，總代價4億港元，而其中3.5億港元仍未收回。

### 放眼大中華

香港作為亞太區的國際金融中心，擁有良好聲譽及穩固的根基，是一個讓亞洲企業融資的理想地點。除了放眼中國市場，本集團將會抓緊在亞洲其他地區的商機。

人力資源是策略投資及資本市場業務的成功關鍵。因此，吸引及挽留適合的人才仍為本集團的首要任務。我們的隊伍擁有良好往績，士氣更見高昂積極，對公司有著強烈的歸屬感。隨著業務擴展，管理層將會繼續招攬擁有不同知識及專業資歷的人才。

展望未來，本集團對前景充滿信心。在鎖定明確的目標後，本集團將會繼續作為參與香港資本市場活動之重要一員。香港作為中國境內的國際金融中心，重要性日益提高，本集團相信

China, the Group believes there are numerous opportunities ahead, which will translate into favourable returns to our shareholders.

### FINANCIAL REVIEW

#### Results

For the year ended 31 March 2004, the Group recorded a turnover of HK\$61,184,000 (2003: HK\$91,636,000), representing a decrease of 33%. 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\$60,974,000 during the year ended 31 March 2004 (2003: HK\$89,332,000).

Loss attributable to shareholders was HK\$2,126,000 (2003: profit of HK\$5,966,000). The basic loss per share was 0.14 cents (2003: earnings of 0.60 cents) and the diluted earnings per share for 2003 was 0.58 cents (2004: not applicable).

The Group's finance costs decreased by 62% to HK\$2,225,000 for the review period in comparison with last year (2003: HK\$5,796,000). The decrease was mainly due to repayment of loans during this year.

#### Liquidity, Financial Resources and Funding

At 31 March 2004, the Group had net current assets of HK\$369,677,000 (31 March 2003: net current liabilities of HK\$6,184,000).

At 31 March 2004, the Group had a total of HK\$1,217,000 in cash and cash equivalents (2003: HK\$10,937,000). Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

Net cash outflow from operating activities for the year ended 31 March 2004 was approximately HK\$72 million as compared to a net cash inflow of approximately HK\$18 million for the year ended 31 March 2003. The increase in outflow was mainly explained by the increase in trading securities purchased during this year and increase in loans receivables by approximately HK\$37.5 million as

未來充滿無限機遇，管理層定會把握機遇，為股東帶來更理想的回報。

### 財務回顧

#### 業績

於截至二零零四年三月三十一日止年度，本集團營業額為61,184,000港元(二零零三年：91,636,000港元)，下降33%。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。於截至二零零四年三月三十一日止年度，此分部之營業額約為60,974,000港元(二零零三年：89,332,000港元)。

股東應佔虧損為2,126,000港元(二零零三年：溢利5,966,000港元)。每股基本虧損為0.14仙(二零零三年：盈利0.60仙)，而二零零三年之每股攤薄盈利為0.58仙(二零零四年：不適用)。

於回顧年內，本集團之融資成本與去年(二零零三年：5,796,000港元)相比下降62%至2,225,000港元。下降主要因於年內償還貸款所致。

#### 流動資金、財務資源及資金

於二零零四年三月三十一日，本集團流動資產淨額為369,677,000港元(二零零三年三月三十一日：流動負債淨額為6,184,000港元)。

於二零零四年三月三十一日，本集團現金及現金等價物共為1,217,000港元(二零零三年：10,937,000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。

截至二零零四年三月三十一日止年度經營業務現金流出淨額約為72,000,000港元，而截至二零零三年三月三十一日止年度現金流入淨額約為18,000,000港元。現金流出增加主要因年內增加購入交易證券，以及本集團於年內開始之融資業務以致應收貸款增加約37,500,000港元。截

the Group has commenced its financing business in this year. Net cash inflow from investing activities for the year ended 31 March 2004 was approximately HK\$50 million as compared to a net cash inflow of approximately HK\$2 million for the year ended 31 March 2003. The cash inflow from investing activities during this year represented the proceed received from disposal of a 12.5% interest in a subsidiary. Net cash inflow from financing activities for the year ended 31 March 2004 was approximately HK\$15 million as compared to a net cash outflow of approximately HK\$4 million for the year ended 31 March 2003.

As at 31 March 2004, the Group had outstanding secured loans of HK\$10,073,000. 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 decreased to 13% as at 31 March 2004 from 24% as at 31 March 2003 (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 692% (31 March 2003: 77%), reflecting adequacy of financial resources.

The indebtedness of the Group decreased by 39% from HK\$90,893,000 as at 31 March 2003 to HK\$55,073,000 as at 31 March 2004. Of the total debts outstanding as at 31 March 2004, all of them are due within one year (31 March 2003: 24% is due within one year and 76% is due in the second to fifth years inclusive). 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.

至二零零四年三月三十一日止年度投資業務現金流入淨額約為50,000,000港元，而截至二零零三年三月三十一日止年度投資業務現金流入淨額約為2,000,000港元。本年內投資活動現金流入為出售附屬公司12.5%權益之所得款項。截至二零零四年三月三十一日止年度融資業務現金流入淨額約為15,000,000港元，而截至二零零三年三月三十一日止年度融資業務現金流出淨額則約為4,000,000港元。

於二零零四年三月三十一日，本集團未償還有抵押貸款為10,073,000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)由二零零三年三月三十一日之24%下降至二零零四年三月三十一日之13%。本集團以流動資產除以流動負債計算之流動資金比率為692%(二零零三年三月三十一日：77%)，反映財政資源充裕。

本集團債務由二零零三年三月三十一日之90,893,000港元下降39%至二零零四年三月三十一日之55,073,000港元。於二零零四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(二零零三年三月三十一日：24%須於一年內償還，76%須於第二至第五年內償還(包括首尾兩年))。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。

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.

### Share Capital Structure

During the year under review, a placing of 180,000,000 new shares of HK\$0.01 each at a price of HK\$0.1 per share was made by the Company. The net placing proceed of HK\$17,525,000 was used as the general working capital of the Company.

Share options entitling the holders to subscribe for underlying shares amounting to 80,585,030 shares was granted by the Company on 22 December 2003. Share options exercised at HK\$0.16 per share on 5 January 2004 resulted in the issue of 48,351,018 ordinary shares of the Company. The total proceed received of HK\$7,736,000 was used as the general working capital of the Company.

On 31 October 2003, 5% convertible notes of HK\$4,000,000 were converted into 30,303,030 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.132 per share. Then on 26 January 2004, the remaining balance of 5% convertible notes of HK\$3,000,000 were converted into 20,979,020 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.143 per share.

On 10 November 2003, 2% convertible notes of HK\$13,000,000 were converted into 93,525,179 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.139 per share. Then on 26 January 2004, 2% convertible notes of HK\$4,000,000 were converted into 28,368,794 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.141 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 18 July 2003, the Group entered into an agreement with an independent third party for the disposal of a 12.5% equity interest in REXCAPITAL Infrastructure Limited, an intermediate holding

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。

### 股本結構

於回顧年內，本公司以每股0.1港元之價格配售180,000,000股面值0.01港元之新股。配售所得款項淨額17,525,000港元，用作本集團營運資金。

本公司於二零零三年十二月二十二日授出購股權，容許購股權持有人認購最多80,585,030股相關股份。於二零零四年一月五日，購股權以每股0.16港元之價格被行使，致使本公司發行48,351,018股普通股。所得款項共為7,736,000港元，用作本公司營運資金。

於二零零三年十月三十一日，價值為4,000,000港元之5%可換股票據，以每股0.132港元之價格，轉換為30,303,030股每股面值0.01港元之本公司普通股。於二零零四年一月二十六日，餘下價值為3,000,000港元之5%可換股票據，以每股0.143港元之價格，轉換為20,979,020股每股面值0.01港元之本公司普通股。

於二零零三年十一月十日，價值為13,000,000港元之2%可換股票據，以每股0.139港元之價格，轉換為93,525,179股每股面值0.01港元之本公司普通股。於二零零四年一月二十六日，價值為4,000,000港元之2%可換股票據，每股0.141港元之價格，轉換為28,368,794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

於二零零三年七月十八日，本集團與獨立第三方簽訂協議，出售其於REXCAPITAL Infrastructure Limited（投資於光纖網絡之中間控股公司）之

## 管理層討論及分析(續)

company investing in the fibre-optic network, at a consideration of HK\$50,000,000 to be satisfied in cash. This transaction was completed on 31 July 2003. The Group has recorded a gain of HK\$625,000 on this transaction.

On 29 October 2003, the Group entered into another sale and purchase agreement with another independent third party pursuant to which the Group had disposed of its entire remaining interest in REXCAPITAL Infrastructure Limited at a consideration of HK\$350,000,000 to be satisfied in cash. This transaction was completed on 31 January 2004. The Group has recorded a gain of HK\$4,346,000 on this transaction.

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 not been completed up to the date of this report.

### Capital Commitment

Apart from the acquisition of the entire issued share capital of RFG at a consideration of HK\$229,000,000 as mentioned above, the Group had no material capital commitment as at 31 March 2004 (31 March 2003: HK\$45,000,000). The acquisition will be financed by internal resources of the Group.

### Charges on Group's Assets

As at 31 March 2004, the Group's trading securities with market value of approximately HK\$28,989,000 have been pledged to secure other loans granted to its subsidiary (31 March 2003: HK\$5,320,000).

12.5%股權，代價為50,000,000港元，以現金支付。交易於二零零三年七月三十一日完成，本集團於交易中錄得625,000港元收益。

於二零零三年十月二十九日，本集團與另一獨立第三方簽訂另一份買賣協議，出售REXCAPITAL Infrastructure Limited餘下全部權益，代價為350,000,000港元，以現金支付。交易於二零零四年一月三十一日完成，本集團於交易中錄得4,346,000港元收益。

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。至本報告日期止，此項交易尚未完成。

### 資本承擔

除上述以代價229,000,000港元收購RFG全部已發行股本外，本集團於二零零四年三月三十一日並無其他重大資本承擔(二零零三年三月三十一日: 45,000,000港元)。該收購將以本集團內部資支付。

### 集團資產抵押

於二零零四年三月三十一日，本集團市值約28,989,000港元之交易證券已作抵押，以為其附屬公司取得其他貸款。(二零零三年三月三十一日: 5,320,000港元)。

### Contingent Liabilities

As at 31 March 2004, the Group had no material contingent liabilities (31 March 2003: HK\$Nil).

### Human Resources

As at 31 March 2004, 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.

### 或然負債

於二零零四年三月三十一日，本集團並無重大或然負債(二零零三年三月三十一日：零港元)。

### 人力資源

於二零零四年三月三十一日，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。