



# Management Discussion and Analysis

## BUSINESS OVERVIEW

The audited net loss of the Group for the year ended 30 June 2005 amounted to HK\$11,353,000.

The Board is at all times identifying suitable projects and/or investments that would be reasonably expected to generate profits and/or have potential for capital appreciation. Should they be materialised, the consideration for such projects and/or investments would be satisfied by means of the issue of new ordinary shares of the Company and/or by being granted new and/or additional banking facilities.

## MANUFACTURING AND TRADING OF ELECTRICAL EQUIPMENT AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES

For the year ended 30 June 2005, the Group recorded a turnover of HK\$77,009,000 in respect of the manufacturing and the trading of electrical equipment and the provision of electrical engineering and contracting services. Although Hong Kong's economy is recovering, the competition is still fierce. The Group is adopting progressive strategy to expand its market share. Turnover of such business operations increased by approximately 41% as compared with those of last year and the gross profit increased by 50%.

## TRADING OF LISTED INVESTMENTS IN SECURITIES

During the year ended 30 June 2005, the Group did not engage in the trading of investments in listed securities.

## ENTERTAINMENT BUSINESS

During the year ended 30 June 2005, the Group did not focus in the entertainment business.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK\$100,621,000 as at 30 June 2005. Total bank and other borrowings amounted to HK\$2,398,000 as at 30 June 2005. The net asset value of the Group as at year end was HK\$222,450,000. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2005, was approximately 24%.

During the year, the Group has issued 3,316,270,000 new ordinary shares. Subsequent to the balance sheet date, the Company has issued convertible notes of HK\$40,000,000 to 2 independent third parties. For further details, please refer to Company's announcement dates 14 September 2005.

### **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS**

During the year, the conditions precedent to completion of the Group's proposed acquisition of 70% interest and loan in EC Link Pacific Limited has not been completely fulfilled and the proposed acquisition was terminated. Please refer to the Company's announcement dated 3 May 2005.

In June 2005, the Group has acquired 70% interest and loan in Walden. The Group intends to engage in cruise ship business. For details, please refer to the Company's circular dated 14 March 2005.

### **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES**

As at 30 June 2005, substantially all monetary assets of the Group were comprised of cash and bank balances and pledged time deposits, which denominated in Hong Kong dollars. Exchange risk of the Group is minimal.

As at 30 June 2005, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

### **EMPLOYEE**

The Group employs approximately 72 staff in Hong Kong. Total staff costs for the year under review amounted to approximately HK\$11,420,000. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

The Company maintains a share option scheme under which share options may be granted to certain eligible directors and full-time employees. Details of the share option scheme are set out in Note 26 to financial statements.

### **CHARGES ON ASSETS AND CONTINGENT LIABILITIES**

As at 30 June 2005, the leasehold land and buildings of a Group's subsidiary with carrying amount of HK\$5,589,000 were pledged to a bank for banking facilities. A subsidiary's bank deposits of HK\$3,000,000 had been pledged to secure general banking facilities granted to the subsidiary.