

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2006 amounted to HK\$9,603,000.

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 ELECTRICAL EQUIPMENT AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES

For the year ended 30 June 2006, the Group recorded a turnover of HK\$76,134,000 in respect of the manufacturing and the trading of electrical equipment and the provision of electrical engineering and contracting services. The Group is adopting progressive strategy to expand its market share. Turnover of such business operations decreased by approximately 1% as compared with those of last year and the gross profit increased by 16%.

TRADING OF LISTED INVESTMENTS IN SECURITIES

For the year ended 30 June 2006, the Group recorded a turnover of HK\$1,427,000 and realised a profit of HK\$582,000 in respect of trading of listed investments in securities.

CRUISE BUSINESS

During the year under review, cruise business has contributed a principal income to the Group. Turnover for the leasing of the cruise ship was recorded approximately HK\$27,000,000, which accounted for approximately 26% of the Group's total turnover. Segment result amounted to approximately HK\$12,000,000. The cruise business has been operating since October 2005. It recorded a steady turnover and profit contribution to the Group.

FINANCIAL REVIEW

For the financial year ended 30 June 2006, the Group recorded a turnover of approximately HK\$103,134,000 (2005: HK\$77,009,000), increase 33.9% compared to the previous year. Profit attributable to shareholders was HK\$7,147,000 (2005: loss of HK\$11,353,000).

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 30 June 2006 (2005: Nil).

CAPITAL STRUCTURE

As at 30 June 2006, the total issued share capital of the Company was HK\$247,952,600 divided into 12,397,630,000 ordinary shares of HK\$0.02 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK\$30,087,000 as at 30 June 2006. Total bank and other borrowings amounted to HK\$2,092,000 as at 30 June 2006. The total equity of the Group as at year end was HK\$240,716,000. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2006, was approximately 47%.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2006, the leasehold land and buildings of a Group's subsidiary with carrying amount of HK\$5,438,000 were pledged to a bank for banking facilities. A subsidiary's bank deposits of HK\$4,451,000 had been pledged to secure general banking facilities granted to the subsidiary.

CONTINGENT LIABILITIES

As at 30 June 2006, certain Hong Kong employees have achieved the required number of years of service to the Group and the possible future long service payment to such employees amounted to HK\$62,389 (2005: HK\$1,572,000).

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK\$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK\$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2006, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As the Group's transactions are mostly settled by Hong Kong dollars, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

As at 30 June 2006, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

CAPITAL COMMITMENT

As at 30 June 2006, the Group did not have any capital commitment.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in Note 15 and Note 16 to the financial statements respectively.

EMPLOYEES

The Group employs approximately 70 staff in Hong Kong. Total staff costs for the year under review amounted to approximately HK\$11,355,000. 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.

SUBSEQUENT EVENT

Subsequent to the year end date, the convertible notes holders, Mr. Chan Yan To and Ms. Lam Wai Han have confirmed to extend the repayment of the principal amount of convertible notes together with interest to 21 October 2007 and all terms and conditions of the convertible notes will remain unchanged.

DISPOSAL OF SUBSIDIARY AND JOINT VENTURE

Details of the disposal of subsidiary and joint venture during the year are set out in Notes 40 and 23 to the financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.