

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Group turnover for the year was HK\$1.94 million, representing a decrease of 16% from the previous year. Turnover for the year under review represents rental income from investment properties. The continuing economic recession together with the sluggish property market had resulted in lower rental rate and higher vacancy rate.

During the year, the Group reported a loss before taxation and loss attributable to shareholders of approximately HK\$12.15 million and HK\$12.11 million respectively compared to a loss before taxation of approximately HK\$26.34 million and loss attributable to shareholders of approximately HK\$26.33 million in the preceding year. This is primarily due to the revaluation deficit on investment properties and leasehold land and building of HK\$5.03 million, the impairment loss on investment in an associated company of HK\$2.52 million and the share of loss of an associated company of HK\$5.11 million.

WORKING CAPITAL AND CASH REQUIREMENTS

The Management believes that the Company will continue to have an adequate working capital. There is no significant cash requirement in 2003.

INVESTMENT PROPERTIES

The decrease in total value of investment properties represented a revaluation deficit of HK\$4.17 million and a transfer of an investment property to property held for sale of HK\$5.41 million. Lower rental income was generated from investment properties and the average occupancy rate was decreased to 82.47% from 92.41% in the previous year. We expect no major changes in the rental income in the coming year.

CAPITAL AND DEBT STRUCTURE

The Company has not issued any additional shares in the current year. There is no present requirement or plan to raise additional fund through the issuance of equity or debt.

As at 30th April 2003, the Group has outstanding bank loan of approximately HK\$15.44 million (2002: HK\$16.72 million). Such bank loan was secured by certain of the investment properties and leasehold land and building of the Group located in Hong Kong with a net book value of approximately HK\$33.53 million (2002: HK\$38.64 million).

There is no significant change in the gearing ratio for the Group. As at 30th April 2003, the gearing ratio is 28% (2002: 25%). The ratio has been calculated based on the total bank loan to the total shareholders' equity of the Group.

FUTURE PROSPECT

The Group will continue to focus on its core business and has no present plan to diversify or invest into other business activities. There are also no material capital commitments which would require a substantial use of the Group's present cash resources or external funding.