

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Group turnover for the year was HK\$1.86 million, representing a decrease of 4% from the previous year. Turnover for the year under review represents rental income from investment properties.

During the year, the Group reported a profit before taxation and profit attributable to shareholders of approximately HK\$548,000 and HK\$592,000 respectively compared to a loss before taxation of approximately HK\$12.15 million and loss attributable to shareholders of approximately HK\$12.11 million in the preceding year. This is primarily due to the revaluation surplus on investment properties and land and buildings of HK\$3.09 million and the write back of impairment loss on the Shanghai land of HK\$3.61 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 2004.

INVESTMENT PROPERTIES

There was a revaluation surplus on investment properties amounted to HK\$3.08 million. A provision of HK\$1.24 million was made on a property held for sale. Lower rental income was generated from investment properties. The improvement in the property market in the second half of the year has contributed to the increase in the average occupancy rate to 85.60% from 82.47% in the previous year. We expect no major changes in the rental income in the coming year. The Group has completed the disposal of the leasehold land and building after year end.

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 of 30th April 2004, the Group has outstanding bank loan of approximately HK\$13.71 million (2003: HK\$15.44 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\$36.39 million (2003: HK\$33.53 million).

There is no significant change in the gearing ratio for the Group. As of 30th April 2004, the gearing ratio is 25% (2003: 28%). The ratio has been calculated based on the total bank loan to the total shareholder's 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.