



Management Discussion and Analysis

BUSINESS OVERVIEW

The audited net loss of the Group for the year ended 30 June 2004 amounted to HK\$25,875,000.

The Management is reviewing the cash flow position of the Group and will consider negotiation with various banks for new and/or additional banking facilities. Furthermore, the Board of Directors 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 existing resources of the Company and/or by being granted new and/or additional banking facilities and/or by further fund raising.

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

For the year ended 30 June 2004, the Group recorded a turnover of HK\$54,494,000 in respect of the manufacturing and the trading of electrical equipment and the provision of electrical engineering and contracting services. Due to the poor market demand for consumer electrical products and adverse economic conditions, turnover of such business operations dropped by approximately 21% as compared with those of last year and the gross profit decreased by 19%.

TRADING OF LISTED INVESTMENTS IN SECURITIES

As a result of the unpredictable market conditions, the Group did not engage in the trading of investments in listed securities during the year ended 30 June 2004.

ENTERTAINMENT BUSINESS

During the year ended 30 June 2004, the entertainment industry had generally declined. As a result, the Group temporarily suspended its development in the entertainment business.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS/DISPOSALS

During the year, the Group did not have any significant investments or material acquisitions/disposals.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK\$124,855,000 as at 30 June 2004. Total bank and other borrowings amounted to HK\$3,243,000 as at 30 June 2004. The net asset value of the Group as at year end was HK\$123,221,000. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2004, was approximately 17%.



EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2004, substantially all of the 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 2004, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

EMPLOYEES

The Group employs approximately 74 staff in Hong Kong. Total staff costs for the year under review amounted to approximately HK\$11,790,000. 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 27 to financial statements.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2004, the leasehold land and buildings of a Group's subsidiary with carrying amount of HK\$5,734,000 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.