

# Management Discussion and Analysis

## **FINANCIAL RESULTS**

The Group reported a turnover of HK\$102,732,059 and net loss attributable to shareholders of HK\$13,479,325 during the year ended 30 June 2004. (2003: loss attributable to shareholders of HK\$151,328). The loss was mainly attributable to the sharp fall of PRC-related stocks and turbulence in the market due to the cooling measures in the PRC.

The net asset value ("NAV") per share of the Company was HK\$0.63 as of 30 June 2004.

## **FINANCIAL REVIEW**

### ***LIQUIDITY AND FINANCIAL RESOURCES***

The Group continued to maintain a healthy balance sheet. As at 30 June 2004, the Group had good liquidity and no long-term borrowings. The Group's bank balances and cash amounted to approximately HK\$3,465,426 (2003: HK\$5,432) which accounted for 13.44% (2003: 9.80%) of the Group's total current assets. The Board believes that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

### ***CAPITAL STRUCTURE***

2,999,999 Shares and 50,000,000 Shares were allotted at HK\$1.00 each on 2 October 2003 and 23 October 2003 respectively. There has been no change in the capital structure of the Company since 23 October 2003.

### ***CAPITAL COMMITMENT AND CONTINGENT LIABILITIES***

As at 30 June 2004, the Group had no material capital commitment and contingent liabilities.

### ***FOREIGN CURRENCY FLUCTUATION***

The Group has a number of investment projects in the PRC and may be subjected to a certain degree of investment return risk. In spite of this, the Board believes that foreign-exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

### ***EMPLOYMENT***

As at 30 June 2004, the Group had 5 employees excluding directors. Total staff costs excluding directors' remuneration amounted to approximately HK\$1,131,705 (2003: Nil). They perform clerical, research, business development and administrative function for the Group. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

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### **SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the year under review, the Group has not made any acquisition or disposal of subsidiaries.

### **CHARGE OF ASSETS**

As at 30 June 2004, investments in listed securities in Hong Kong at carrying value of HK\$148,000 were charged to secure for securities margin credit facility granted by a broker to the Group (2003: Nil).