

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2004, the Group had total outstanding borrowings of approximately HK\$94.5 million (31.3.2004: HK\$116 million), as to HK\$9.5 million repayable within one year, HK\$12.6 million repayable between one to two years, HK\$26 million repayable between two to five years and HK\$46.4 million repayable after five years.

As at 30 September 2004, the Group had cash and bank balances of approximately HK\$4 million and a standby loan facility of HK\$3 million extended by a shareholder of the Company.

The gearing ratio (defined as the Group's total borrowings divided by its total assets) was 61% (31.3.2004: 77%).

PREFERENCE SHARES

As at 30 September 2004, the Company also had an aggregate outstanding of 103 convertible redeemable non-voting preference shares (the "Preference Shares"), each of a nominal value of HK\$1,000,000. The outstanding 103 Preference Shares, if not being converted into the ordinary shares of the Company by the holder in accordance with its terms, will expire about the end of February 2005 whereupon the holder of the Preference Shares may serve a written notice requiring the Company to redeem the Preference Shares at their nominal value, in which case, the HK\$103 million represented by the 103 Preference Shares shall become due and repayable at that time. The holder of the Preference Shares has indicated to the Company that currently it has no intention to serve notice to the Company upon the maturity of the Preference Shares to redeem all or any part thereof.

BUSINESS REVIEW

For the period ended 30 September 2004, the Group recorded a profit of approximately HK\$38 million which was mainly attributed to a recognition of income during the period as a bank borrowing and its related accrued interest of a subsidiary of the Group were deemed to have been fully discharged in the period. For more details, please refer to the third paragraph hereunder. Gains from revaluation of properties also contributed HK\$4 million to the Group's profit as prices for properties increased during the period.

Turnover of the Group comprises proceeds from sale of properties and rental income. During the period under review, as the Group did not sell any of its properties and, for minimizing costs, discontinued its building management services, no proceeds from sale of properties and building management fee were recorded during the period. Rental income, while accounting for 100% of the turnover during the period, was approximately HK\$4.9 million, fell approximately 12% as compared with the figure in the last corresponding period as rentable areas dropped.

Last year, a subsidiary of the Group entered into a settlement agreement with one of the Group's banks under which the bank had agreed, conditional upon certain conditions in the settlement agreement being fulfilled, to deem the repayment obligation of the outstanding debt owing by the subsidiary to have been fully discharged and released. During the period under review, as all conditions of the settlement agreement had been fulfilled and satisfied, the repayment obligation of the outstanding debt amounting to approximately HK\$22 million and its related accrued interest amounting to approximately HK\$14 million were deemed to have been fully discharged and released. Accordingly, an aggregate amount of HK\$36 million was accounted for as income during the period.

PROSPECTS

Recently, the prices of and demand for properties have seen resurgence since the end of last year against a backdrop of significant improvement in the overall economic situation and investment sentiments of the Territory. The value and rent-rate of buildings take a favorable turn as a result of such recovery of investment sentiments and business activities, which benefit the Group's business as well. As such, though the future interest rates tend to climb, it is expected that negative impacts on the Group would be offset.

The Directors think it difficult to generate stable return of revenue for the Group in light of its existing business and scale. To improve this, the Directors will continue endeavoring to seek investment opportunities with an aim to guide the Group to new business development, and to bring about long-term and considerable income sources for the Group.