

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Group turnover for the year was HK\$1.96 million, representing increase of 5% from the previous year. Turnover for the year under review represents rental income from investment properties.

During the year, the Group reported a loss before taxation and loss attributable to shareholders of approximately HK\$52,000 and HK\$4,000 respectively compared to a profit before taxation of approximately HK\$548,000 and profit attributable to shareholders of approximately HK\$592,000 in the preceding year. This is primarily due to the write-back of deficit on revaluation of investment properties credited to the profit and loss accounts of HK\$5.3 million net off against HK\$2.6 million administrative expenses and HK\$4.4 million finance cost.

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 2005.

INVESTMENT PROPERTIES

There was a revaluation surplus on investment properties amounted to HK\$9.3 million of which HK\$5.3 million was credited to the profit and loss account and the balance of HK\$4 million was credited to investment property revaluation reserve. Higher rental income was generated from investment properties. The continued bullish property market in Hong Kong during the year has contributed to the increase in the average occupancy rate to 92.94% from 85.60% in the previous year. We expect no major changes in the rental income in the coming year.

The Group completed the disposal of the leasehold land and building during the year. An investment property located in Penang, Malaysia is also disposed of 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 2005, the Group had outstanding bank loan of approximately HK\$7.71 million (2004: HK\$13.71 million). Such bank loan was secured by certain of the properties of the Group located in Hong Kong with a net book value of approximately HK\$39.76 million (2004: HK\$36.39 million).

The gearing ratio for the Group reduced to 13% as of 30th April 2005 from the previous year of 25% as a result of the disposal of the leasehold land and building. 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.