

## Management Discussion and Analysis

### RESULTS

During the current year under review, the Group achieved a turnover of HK\$3,095,000 and loss attributable to shareholders of HK\$36,567,000, compared with the turnover of HK\$3,370,000 and profit attributable to shareholders of HK\$1,820,000 recorded in last year. The prevailing low interest rate environment during the year has resulted in an unsatisfactory treasury income earned by the Group and an unrealised holding loss on investments in securities. Further, the Group has made an impairment loss of HK\$20,578,000 against its properties for development in Cong Hua and provision of HK\$16,000,000 against its properties for sale in Zhongshan respectively.

### SEGMENT INFORMATION

The principal activities of the Group are property development and investment.

The following is an analysis of the turnover and contribution to (loss)/profit of the Group:

	Turnover		Contribution to (loss)/profit before taxation	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Property development and investment				
Property development	–	–	(36,578)	–
Property letting	3,095	3,370	2,017	2,350
	<b>3,095</b>	3,370		
Segment results			<b>(34,561)</b>	2,350
Other activities			<b>5,502</b>	13,468
Negative goodwill released to income			<b>6,601</b>	–
Less: Unallocated administrative and other expenses			<b>(14,109)</b>	(13,998)
			<b>(36,567)</b>	1,820

*Notes:*

- (i) The Group's property development and investment activities were carried out in the Mainland China (the "PRC").
- (ii) Other activities comprise mainly of treasury activities, including investments in debt securities and money market funds operating in the United States of America, European countries and Hong Kong, and the placement of bank deposits in Hong Kong.
- (iii) The loss attributable to the property development of HK\$36,578,000 shown above comprised of provision for properties for sale and impairment loss on properties for development amounted to HK\$16,000,000 and 20,578,000 respectively.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

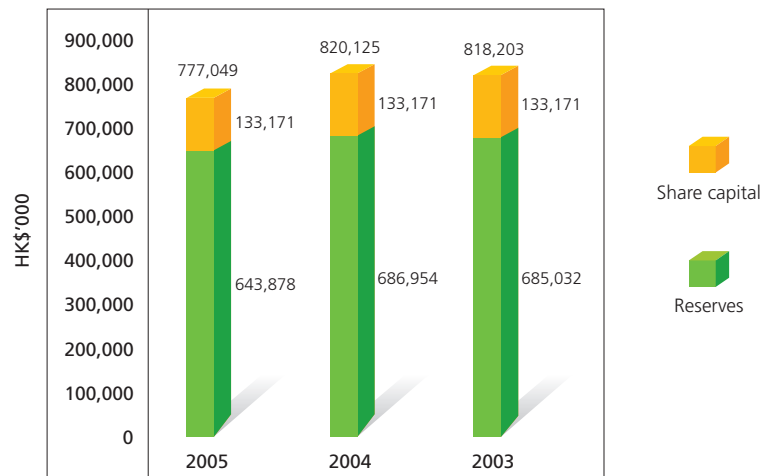
As at 31st March, 2005, the Group remains cash-rich and has no bank borrowings and no material capital expenditure commitments or financial obligations.

Cash and other liquid assets amounted to HK\$587,153,000 and accounted for 83.03% of total current assets.

Exchange risk of the Group is minimal as the assets of the Group comprised substantially of cash, fixed income notes or money market funds denominated in United States currency which is officially pegged to the Hong Kong currency.

### CAPITAL STRUCTURE

As at 31st March, 2005, the Group had no long term borrowings and its operations were financed entirely by shareholders' funds.



### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 63.8% and 69.10% respectively of the Group's turnover for the year. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

During the year, the Group has not made any purchases other than incurring rental outgoings and overhead expenses.

None of the Company's directors, their associates or any shareholders of the Company (who to the best of the knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers and the five largest suppliers.

### STAFF

As at 31st March, 2005, the Group employed 44 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.