



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of HK\$39.6 million (2004: HK\$1.5 million). Profit attributable to shareholders amounted to HK\$21.2 million (2004: loss HK\$21.6 million). Earnings per share were HK1.10 cents (2004: loss HK1.12 cents). At 30 April 2005, the Group's net cash position amounted to HK\$3.19 million (2004: HK\$0.59 million) representing 2.8% (2004: 0.63%) of the shareholders' equity of HK\$113.53 million (2004: HK\$92.30 million). Total borrowings amounted to HK\$100 million (2004: nil).

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

During the year under review, the Group's investment property in Shanghai has generated steady rental income, and the Group added to its property portfolio by the purchase of the Right Emperor Commercial Building (the "Right Emperor Building") in Central, Hong Kong. There has been a slow but steady improvement in the Hong Kong property market, and there are also indications that the rental market is improving. The Right Emperor Building, an investment property, has contributed steady rental income during the year. However, in view of the fact that interest rates continue to escalate, the Group considers that the Hong Kong property market may be adversely affected. Although the Group regards the Right Emperor Building as an investment property, the directors will keep a careful watch on the Hong Kong property market to ensure that this investment remains profitable.

The Group is presently engaged in the distribution of telecommunication products. These include the distribution of mobile telephones, the accessories thereto and code cards sourced within the Southeast Asia region. On 7 February 2005, the Group was appointed by a world-renowned manufacturer, as its Hong Kong and Macau sole and exclusive distributor in respect of, inter alia, its cordless telephones and accessories thereto.

Since the completion of the acquisition of Kamboat Bakery Limited on 16 June 2004, the Group produces and distributes bakery and other food products such as festive food products, biscuits and desserts under the brandname of "Kamboat Bakery". The number of bakery outlets has since been trimmed down from 15 to 10, a decision taken by management of the Company in order to eliminate those poorly performing outlets. Nevertheless, the Group is continuing to search for suitable locations at which to open up new outlets and is working industriously and prudently in the identification of suitable locations in divers cities within Guangdong Province and Shanghai City.

Since the close of the 2004/05 financial year, the Group has entered into two consultancy agreements with hotels in the Shanghai area with a view to advising and assisting each of these hotels to achieve 5 star status. The Group's consultancy business is not capital intensive and is expected to generate income for the Group. The Group is also seeking a further consultancy agreement with a third hotel in the Shanghai area.

Whilst the Group will continue to focus on pursuing its present businesses, including property investment and development, bakery and food, consultancy and general trading, the Group will continue with its business restructuring and in this respect it will continue to explore and evaluate new businesses and investment opportunities. At present, the Group has identified for its consideration certain new projects which are involved in the business of environmentally friendly, energy-generation waste treatment and businesses incidental thereto.

RESUMPTION OF TRADING

Trading in the Company's shares was suspended on 2 February 2004 pending the demonstration to the satisfaction of the Stock Exchange by the Company that it had a viable, plausible and coherent business plan to justify the resumption of trading. However, after the careful restructuring of the Group's businesses, which has been taking place over the past year or so, trading in the shares of the Company through the facilities of the Stock Exchange resumed with effect from Monday, 15 August 2005.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2005, the Group has borrowings amounting to HK\$100 million. The Group believes that its liquid asset value and future revenue will be sufficient to fund existing working capital requirements, particularly in view of the impending rights issue. The gearing ratio of the Group, based on total borrowings to Shareholders' equity was 88% (2004: 0%) as at 30 April 2005.

PROPOSED RIGHTS ISSUE

Upon resumption of trading of its shares, the Company, in furtherance of its business plan as submitted to the Stock Exchange in support of its application to resume trading of the Company's shares through the facilities of the Stock Exchange, has proposed a rights issue on the basis of three rights shares for every ten shares held by shareholders. The rights issue is on a fully underwritten basis and is expected to raise approximately HK\$55 million after expenses upon completion which will take place during the coming financial year.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 April 2005, the Group had 75 employees in Hong Kong and the PRC (2004: 10). Remuneration is determined by reference to market rates and the performance, qualifications and experience of individual employees. The Group also provides employees with year-end double pay, a contributory provident fund, performance-related bonuses and medical insurance.

CHARGE ON GROUP'S ASSETS

As at 30 April 2005, borrowings in the sum of HK\$100 million were secured by legal charges over the shares and shareholders' loan of State Empire Limited and Harbour Wealth Investment Company Limited, both of which are wholly-owned subsidiaries of the Company, and an investment property with a book value of approximately HK\$130 million (2004: Nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liability as at the balance sheet date.

FOREIGN EXCHANGE AND CURRENCY RISKS

Significant foreign currency exposure was not expected by the Group since most of the revenue generated from the sales and the payment for purchases of materials, equipment and salaries are made in Hong Kong dollars, Renminbi or US dollars. No financial instruments for hedging purposes are used by the Group.