

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are re-development of a property project at Nos. 8, 10 and 12 Peak Road (the "Peak Road Project") and trading of textiles.

BUSINESS REVIEW AND PROSPECT

Re-development

The Peak Road Project located at Nos. 8, 10 and 12 Peak Road, Hong Kong consists of 34 apartment units and a 3-storey private house and the gross floor area is approximately 119,000 square feet. The Group commenced the pre-sale of the Peak Road Project in November 2004 and sold approximately 10 apartment units for the year ended 30 June 2005. Turnover of HK\$489.8 million was recognised for the year ended 30 June 2005. The occupation permit for the Peak Road Project was obtained on 24 March 2005.

The returns from the Peak Road Project will significantly improve the Group's financial position and The Company is still looking for new investment opportunities.

Trading of textiles

The management of the Company is currently focusing the resources of the Group on the development, completion and marketing of the Peak Road Project. As a result, Turnover in this sector has decreased by 33% from HK\$10.8 million to HK\$7.2 million when compared with last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2005, net current liabilities of the Group were approximately HK\$36.0 million. The current ratio was 0.98. The pledged bank deposits, bank balances and cash were approximately HK\$3.2 million.

As at 30 June 2005, the Group has outstanding borrowings of approximately HK\$1,574.8 million comprising (i) secured bank loans of approximately HK\$591.0 million, (ii) other loans and amounts due to directors of subsidiaries of approximately HK\$579.7 million and (iii) other payables and taxation payable of approximately HK\$404.1 million. The bank borrowings are on floating interest rates basis.

The majority of the Group's assets and borrowings are denominated either in Hong Kong dollars or US dollars thereby avoiding exposure to undesirable exchange rate fluctuations. In view of the stability of the exchange rate of HK dollars and US dollars, the directors consider that the Group has no significant exposure to exchange fluctuation and does not pledge against foreign exchange risk.

The Group's bank loans and other loans were secured by leasehold land and buildings, bank deposits, properties held for sales, property sale receivables and receivable from stakeholder's account of approximately HK\$1,638.7 million. The issued ordinary shares of a wholly-owned subsidiary of the Company, Holyrood Limited, were also pledged to a bank to secure credit facilities granted to the Group.

The Group's gearing ratio, total debts divided by total assets, was approximately 96%.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2005, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2005, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2005, the Group employed total of 15 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2005, the Company has contingent liabilities of approximately HK\$1,130.1 million relating to corporate guarantees given in respect of bank loan facilities granted to certain subsidiaries and an independent third party.

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2004: Nil).

ACKNOWLEDGEMENT

On behalf of my fellow directors, I wish to thank all staff and employees for their diligence and loyal support during the year under review.

By order of the Board

Law Fong

CHAIRMAN

Hong Kong, 25 October 2005