

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Results

The Group reported a turnover of HK\$63,516,614 and net loss attributable to shareholders of HK\$9,250,358 during the year ended 30 June 2005. (2004: loss attributable to shareholders of HK\$13,479,325). The loss was mainly attributable to the sharp fall of PRC-related stocks and turbulence in the market due to the cooling measures in the PRC.

The net asset value ("NAV") per share of the Company was HK\$0.47 as of 30 June 2005.

Liquidity and financial resources

The Group continued to maintain a healthy balance sheet. As at 30 June 2005, the Group had good liquidity. During the year, the Group obtained a long term loan from a related company, in which an executive director of the Company has beneficial interest, at approximately HK\$6 million which is repayable in 2007. The Group's bank balances and cash amounted to approximately HK\$3,314,730 (2004: HK\$3,465,426) which accounted for 9.72% (2004: 13.44%) of the Group's total current assets. The Board believes that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Capital structure

The Group has made two placements of shares during the period under review; 10,600,000 and 10,600,000 shares were allotted at HK\$0.47 each and HK\$0.56 each on 3 December 2004 and 4 March 2005 respectively. There has been no change in capital structure of the Company since 4 March 2005.

Capital commitment and contingent liabilities

As at 30 June 2005, the Group had no material capital commitment and contingent liabilities.

Foreign currency fluctuation

The Group has a number of investment projects in the PRC and may be subjected to a certain degree of investment return risk. In spite of this, the Board believes that foreign-exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

Employment

As at 30 June 2005, the Group had 5 employees excluding directors. Total staff costs excluding directors' remuneration amounted to approximately HK\$974,830 (2004: HK\$1,131,705). They perform clerical, research, business development and administrative function for the Group. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year under review, the Group has not made any acquisition or disposal of subsidiaries.

CHARGE OF ASSETS

As at 30 June 2005, investments in listed securities in Hong Kong at carrying value of HK\$134,400 were charged to secure for securities margin credit facility granted by a broker to the Group (2004: HK\$147,900).