



Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 30 June 2005, the Group was principally engaged in property investment, trading and manufacturing of equipment and accessories for broadband and cable television. As the local economy gradually recovered during the year, demand for high grade office has maintained an upward trend.

Investment properties, Trading and Manufacturing

The property segment contributed appropriately 72.7% or HK\$3,600,000 to the Group's turnover, (2004: approximately 47.9% or HK\$3,089,000). The income from trading and manufacturing was approximately HK\$1,353,000 (2004: HK\$3,356,000), representing a decrease of approximately of 59.7%, which was due to the keen competition in terms of design and technology of equipment and accessories for broadband and cable television.

Gross profit

The gross profit margin of the group was approximately 82.7% (2004: 70.0%). The increase in the gross profit margin was mainly due to the increase in the rental income and decrease in the trading and manufacturing activity.

Gain on property revaluation

Benefited from the growth of the Hong Kong property market during the year under review, profits from this segment increased by 106.6% to HK\$33,054,000 (2004: HK\$16,000,000). Investment properties, all of which are located in Hong Kong, provided a steady income of the Group and were 100% leased as at 30 June 2005.

Net profit (loss)

The Group's net profit attributable to shareholders for the financial year ended 30 June 2005 was approximately HK\$11,533,000 (2004: loss of HK\$5,213,000).

Expenses

Administrative and other operating expenses amount to HK\$12,617,000 (2004: HK\$11,476,000). The increase in amount was mainly due to the additional legal and professional fee incurred as compared with previous year.

Total finance costs come up to approximately HK\$9,020,000 (2004: HK\$9,341,000). The decrease in amount was mainly due to the decrease in loan arrangement fee as compared with the previous year.

During the year ended 30 June 2005, HK\$1,719,000 (2004: provision of HK\$1,116,000 made) of provision for bad and doubtful debts has been written back.

HK\$5,800,000 (2004: Nil) represented loss arising from an indemnity granted in respect of liabilities (the "indemnity") of a former subsidiary, World Giant Limited. But, in the opinion of the Board and having obtained an opinion from the Company's lawyer, the Group has no obligation to pay such indemnity. For the prudence sake, the amount involved has been fully accounted for in the income statement.

Dividend

The Board of Directors resolved not to declare any dividend in respect of the year ended 30 June 2005 (2004: Nil).



Management Discussion and Analysis

Future plans and prospects

In view of the current improved property market conditions in Hong Kong, the Group has entered into a provisional agreement and a sale and purchase formal agreement on the 7 September 2005 and 4 October 2005 respectively (the “Agreement”) for the disposal of the property located at the Units 1-10 on the 30 floor of Wu Chung House, No. 213 Queen’s Road East, Hong Kong (the “Property”) (the “Disposal”) for a consideration of HK\$104,000,000. The transaction shall be subject to the approval of the shareholders of the Company at the extraordinary general meeting to be held on 29 November 2005. The Directors consider that the Disposal represents a good opportunity for the Company to realise the Property at a reasonable price.

In light of rapid recovering of local and China property market, the Group will expand its business from property investment to other related business, including but not limited to property management consulting business.

Liquidity and financial resources

As at 30 June 2005, the gearing ratio of the Group decrease to 264% (2004: 481%). It was computed on the basis of the aggregate interests bearing loans, which comprise of bank borrowings, loans, overdraft, other borrowings and obligations under finance lease, divided by the amount of shareholders’ equity.

As at 30 June 2005, the Group had short-term loans and overdraft borrowings with banks and financial institutions approximately amounted to HK\$19 million (2004: HK\$49 million) and long-term borrowings approximately amount to HK\$66 million (2004: HK\$32 million). The loans were charged with interests at prevailing commercial lending rates.

All of the Group’s bank balances and borrowings were denominated in Hong Kong dollars and Renminbi, risk in exchange rate fluctuation would therefore be immaterial. Thus, there is no need for any foreign exchange hedging arrangement.

Properties portfolio

The Group’s properties portfolio were valued at approximately HK\$186 million (2004: HK\$150 million) at 30 June 2005 by Dudley Surveyors Limited (“Dudley Surveyors”) on an open market value existing use basis.

- Property owned in Hong Kong : Revaluation surplus of approximately HK\$26.3 million (2004: HK\$16 million revaluation surplus) has been credited to the consolidated income statement due to the appreciation in value and approximately HK\$3.7 million (2004: Nil) has been credited to investment properties revaluation reserve.
- Properties held for sales in PRC: Revaluation surplus of approximate HK\$6.7 million (2004: Nil) has been credited to the consolidated income statement due to the appreciation in value.

Charge on group assets

The Group’s properties portfolio, excluding the property held for sales in the PRC, amounting to HK\$108 million in aggregate (2004: HK\$78 million) were pledged to secure facilities to certain financial institutions, which will be discharged upon the completion of the Disposal.



Management Discussion and Analysis

Working capital

The Directors are of the opinion that, with the internally generated resources and revenue together with the expected net proceeds from the Disposal, the group has sufficient working capital to meet its working capital requirements for now and for coming two years.

Staff policy

The group had about 40 employees during the year under review. A comprehensive and competitive remuneration, retirement scheme and benefit package have been provided to its employees. Discretionary bonus is offered to the group's staff depending on their performance. The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the local government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The group has adopted a provident fund scheme, as required under the mandatory provident fund schemes ordinance, for its employees in Hong Kong.

Audit committee

The consolidated financial statements have been audited by the auditors of the Company and have been reviewed by the Audit Committee of the Company.

Corporate governance

The independent non-executive director, Ms. Lyn Yee Chen, Jean, has retired on 30 December 2004. On 20 April 2005, Mr. Law Tai Yan is appointed as independent non-executive director and the member of audit committee of the Company so as to comply with 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

Saved as disclosed above, the Company has complied throughout the year ended 30 June 2005 with the "Code of Best Practice" as set out in Appendix 14 of the Listing Rules.

Model code for securities transactions by directors of listed issues

The Company has adopted the model code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the model code throughout the year ended 30 June 2005.

Purchase, sale or redemption of shares

The Company has not redeemed any of its ordinary shares during the year ended 30 June 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares during the period.