MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's unaudited consolidated loss attributable to shareholders for the period 30 September 2005 amounted to approximately HK$88.9 million (2004: restated profit HK$2.6 million). Loss per share for the period was 8.37 cents as compared with restated earnings per share of 0.24 cents of the corresponding period of the preceding year. The unaudited consolidated turnover has decreased by 22.4% to approximately HK$108 million (2004: HK$139.5 million). The reasons for the loss were due to the high finance cost, the dismal performances of two subsidiaries dealing in the production and distribution of electronic products related materials and the impairment loss on goodwill in respect of the Group's investment in these two subsidiaries.

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the period ended 30 September 2005 (2004: Nil).

BUSINESS REVIEW

Hotel operations

Harbour Plaza Kunming (the "Hotel") maintained a stable performance during the period with a turnover of approximately HK$26.7 million (2004: HK$26.2 million) which represented about 24.6% (2004: 18.8%) of the Group's total turnover. Loss from operation of the Hotel for the period decreased by 54.7% to HK$1.41 million (2004: HK$3.11 million (restated)) as compared with the corresponding period of the preceding year. During the period, bookings from the overseas tourist markets, especially those from US, Europe, Japan and South East Asia, remained relatively steady comparing to its previous year's booking. It did not suffer any heavy drop in spite of the revaluation of the RMB against USD by 2% in July 2005 as raised by The People's Bank of China. The Hotel, which is still managed by Harbour Plaza Management Limited, shall continue to face keen competition within Kunming.

Electronic materials

With the completion of further acquisition of Goldwiz Huarui (Tongling) Electronic Material Co. Ltd. ("Goldwiz Tongling") in early April 2005, the Company has consolidated the results of Goldwiz Tongling during the period. Turnover of electronic materials production and trading during the period was HK$81.8 million representing 75.5% of the Group's total turnover. Due to rising material cost and the fierce competition in the copper clad laminate industry, this business unit recorded an operation loss of HK$3.7 million during the period. During the due diligence made by the Company before the completion of the further acquisition, the Company has taken prudent measures by making bad debt written off against the long outstanding debts receivable by Goldwiz Tongling and ultimately made a significant impairment on goodwill upon its consolidation of Goldwiz Tongling's results. With the majority control on its management, the Company commits to improve the overall operation performance and management of Goldwiz Tongling.

Electronic related products/services

The severe competition of the mobile phone industry, the rapid change of consumers' demand and the loss of key personnel in the sales force stagnated this business unit. The overseas sales came to a halt and it had to shut down its Korean's representative office. As a result the business unit failed to achieve any turnover during the period and hence the management has taken a prudent measure to make impairment loss on goodwill for HK$27.4 million for the period. After considerable review and discussion, the management plans to redirect the investment into other areas. It aims to transform its business into telecommunication media related business in the PRC by providing certain value added services, including recorded messages and advertisements. The Group has taken steps to work with fixed line providers to introduce such services.

Property investment/development

The Company has received all the repayment of shareholder's loan from the investee company during the period. Pre-sale activities for 1st to 6th floor of 科維大廈 in Shanghai have been completed. Negotiations were being made with certain potential buyers for selling the remaining saleable units representing 31,525.31 sq. m. in one lot. Interior work for the sold units is under progress and expected to be completed in mid 2006.

Strategic investment

For the year ended 30 June 2005, Techwayson Holdings Limited ("Techwayson") recorded an audited consolidated turnover of RMB188 million (HK$177 million) as compared with RMB359 million (HK$338.6 million) of the preceding year. The drop in turnover was mainly due to the implementation of austerity measure in the PRC leading to the tightened up of funding resources of certain industries, particularly in automation sectors. As a result, Techwayson recorded its first loss since inception. The audited consolidated loss attributable to shareholders of Techwayson for the year ended 30 June 2005 amounted to approximately RMB19 million (HK$18 million) as compared with net profit of approximately RMB11 million (HK$10.4 million) of the preceding year. The management of Techwayson believed that by taking advantage of the comparatively high economic growth in China, its business of automation will be improved and the current stringent status will turn around.