OPERATING AND FINANCIAL REVIEW

During the financial year under review, the Group recorded a turnover of approximately HK$42.8 million, representing a decrease of around 68.8% as compared to the previous period HK$137.0 million, because of the disposal of the manufacturing arm under the footwear business. The disposal was attributable to the upsurge of direct labor costs in the PRC, fluctuation in raw material prices and tough competition footwear business environment around the world. Amongst the turnover, the footwear business section participated 38.8% of sales.

After having been diversifying into the information technology business since the last financial year, the IT business contributed a turnover of HK$26.2 million, whereas it was underlying an around 61.2% of the Group's turnover.

The following table provides an analysis of the Group's revenue by geographical market and business segmentation

	For the financial year ended 30 September 2005		For the financial year ended 30 September 2004		Percentage of change Yr. to Yr.
	HK$'000	**%**	HK$'000	%	%
Footwear Business	**16,606**	**39**	105,884	77	(84)
IT Business					
— Trading	**20,326**		31,059		
— Services	**5,877**		46		
	26,203	**61**	31,105	23	(16)
TOTAL	**42,809**	**100**	136,989	100	(69)

The gross profit margin improved from -15% to 4.7% partly in reflection of the implementation of an appropriate strategy under such an adverse atmosphere in the footwear industry. Throughout the past two years, the footwear industry has been facing an unprecedented challenge regarding an exceptional volatile raw material price and inflation of direct labor cost in the PRC. As a result, the Group disengaged its manufacturing subsidiary, Kaitai Group, in order to minimize the operational risks and reduce the direct cost. Along with a conservative strategy by the Group to focus in acquiring trading business with an acceptable rate of return, a positive gross profit margin figure was reported in the footwear business during this financial year.

Regarding the IT division, it also furnished a positive gross profit margin during this financial year although it was going through its development stage.

Due to the shrinkage of sales volumes in footwear business and experiencing a development stage in the IT stream under our revenue diversification model, the net profit margin excluding those impairment of goodwill gave a figure of negative 15.0% as a result of not attaining economies of scale in operation. Nevertheless, the Group is still implementing a tight cost control policy in the coming year.

Amongst the operating expenses, over 83.9% of operating expenses (i.e. HK$51.8 million) was non-cash expenditure items in relation to the impairment of goodwill for subsidiaries. This figure represented the early adoption of the new accounting treatment as recommended by the Hong Kong Institute of Certified Public Accountants commencing 1 January 2006 while the management concurred to accept a prudent opinion in these items as well.

The Group recorded a loss attributable to shareholders amounted to approximately HK$58.2 million because of (1) net operational loss stemming from the disposed manufacturing arm, (2) lacking optimal economies of scale in IT section and (3) significant impairment for the IT business division.

NEW BUSINESS

The Group had acquired three IT companies in Hong Kong and the PRC, they were Excel Star Technology Limited ("Excel Star") , Popular Asset Limited ("Popular Asset") and Golden Portal Holdings Limited ("Golden Portal"), since last financial year end.

Excel Star holds 51% interest in a Sino-foreign equity joint venture enterprise, Jiaxing Easeful Communication Co., Ltd. ("JV Company"), established in the PRC. The JV Company is principally engaged in the provision of system integration, telecom-related and software development services in the PRC. Details of this acquisition were disclosed in the Company's circular dated 14 October 2004.

Popular Asset is principally engaged in the business of the provision of information technology and telecommunication facility management services. Details of this acquisition were disclosed in the Company's circular dated 28 January 2005.

Golden Portal indirectly holds 70% interests in Bartech (International) Information Network Limited ("Bartech"). Bartech is principally engaged in the provision of on-line financial information of Hong Kong, the PRC and certain American and European markets. Details of this acquisition were disclosed in the Company's circular dated 16 September 2005.

Throughout these acquisitions, our IT platform of the Group has been strengthened to broaden our revenue bases and enhance the Group's profit margin in the long run.

As of 20 February 2006, the Company is going to acquire SLS Investments Limited ("SLS") as disclosed. SLS indirectly holds 100% interests in Woda Taifeng and 70% interests in Tianxun (collectively "SLS Group"). SLS Group engaged in the provision of system development, integration and consulting services on internet network & applications development and indirectly holds 40% interest in 北京市海淀區有綫廣播電視網絡信息有限公司 (Beijing Haidian District Cable Television Broadcasting and Network Information Limited ("Haidian")). Haidian is a broadband internet service provider in Beijing and engaged in the provision of broadband internet access, telecommunication value added services and related business via its proprietary internet network in Beijing, the PRC. Details of this potential acquisition were disclosed in the Company's announcement dated 20 February 2006.

OUTLOOK

As disclosed in the Chairman's Statement, the Group is anticipated to encounter envisaged challeges in the coming year.

Currently, the Group has participated in the IT business of system integration, IT & telecommunication facility management services, telecom-related & software development services and financial information content provider. After having been diversifying into information technology business for two years, the IT division is still undergoing its development stage. The Group will continue to execute the inorganic growth strategy in acquisition of potential business opportunities with synergy to our existing IT portfolio.

Regarding the footwear division, the Group will implement a tighten strategy to cope with the market sentiment.

The Group will be very cautious in allocating its resources and will keep on exploring other suitable business opportunities and diversifying its investment to other potential industries with favourable investment return and prospect.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group maintained cash and bank balances of approximately HK$20.0 million (30 September 2004: HK$54.9 million) without any borrowings (30 September 2004: HK$3.2 million).

The gearing ratio of the Group as of 30 September 2005 was reduced to null (30 September 2004: 2.8%) after the disposal of the manufacturing factory. During the year under review, the Group had allotted 120,000,000 new shares as part of consideration to acquire a financial information content provider. As a result, the share capital was increased from HK$103 million to HK$115 million after the acquisition.

As of 30 September 2005, the Group's working capital (net current assets) and current ratio were approximately HK$49.1 million (30 September 2004: HK$75.5 million) and 7.8x (30 September 2004: 3.4x) respectively. In term of the quality of current assets, over 34% of current assets were cash at banks. As a result, the Group is expected to preserve a healthy liquidity position.

The existing available cash and bank balances are considered sufficient to adequate liquidity and capital resources for the Group's operating requirements.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2005, no asset (30 September 2004: HK$1.9 million) was pledged by the Group to secure any bank facility after the disposal of the manufacturing arm.

The Group had no significant contingent liabilities as at 30 September 2005 (2004: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in HK dollars, US dollars and Renminbi. Exchange rates between these currencies with Hong Kong dollars were relatively stable during the year under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

STAFF AND REMUNERATION POLICY

The Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 September 2005, the Group employed approximately 30 employees.

The Company maintains a share option scheme (the "Scheme"), pursuant to which share options are granted to selected directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group.

During the year, no share option was granted or exercised.