

14. Subsequent Events

The Group had the following significant event took place subsequent to the balance sheet date:

On 2 June 2006, a winding-up petition (“Petition”) was filed by Mr. Cheung Yam Loi (“Mr. Cheung”), an ex-employee of Pacpo Investment, a wholly-owned subsidiary of the Company, to the High Court against Pacpo Investments for an amount of HK\$220,000, representing the outstanding balance of judgement sum awarded to Mr. Cheung by the Labour Tribunal on 2 December 2005. The Petition will be heard in the High Court on 2 August 2006 and the Group is now seeking legal advice on the matter and is confident of reaching settlement with Mr. Cheung.

Interim Dividend

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2005 (2004: Nil).

Management Discussion and Analysis

Review of operations

The Company’s principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in property investment and development.

The Group has experienced serious financial difficulties for the six months ended 30 June 2005 and the results under review generally reflected the situation. The Group recorded a consolidated turnover of HK\$506,000, a decrease of approximately 89% in comparison with the corresponding period. Loss attributable to shareholders amounted to HK\$6,486,000 as compared to the amount of approximately HK\$4,463,000 in the last corresponding period. Improving the financial condition of the Group becomes the primary target of the management in the coming year.

Property development and investment business

The Group’s property development and investment business, comprising commercial, industrial and residential projects in Malaysia and Hong Kong, recorded a turnover of HK\$506,000, representing total turnover of the Group for the period. The drop in pre-sale income from the commercial and residential project at Johor Bahru, Malaysia as well as the non-existence of rental income due to the disposal of all commercial and industrial properties in Hong Kong constituted the considerable reduction in total turnover for the period under review.

Financial review

As at 30 June 2005, the total shareholders fund of the Group amounted to HK\$173.4 million, compared to HK\$179.9 million as at 31 December 2004. The debt ratio (based on the total liability over the equity) of the Group as at 30 June 2005 was 0.30 while the ratio as at 31 December 2004 was 0.35.

Total bank and other borrowings amounted to HK\$33.8 million and were mainly secured by legal charge on the Group's land and buildings, investment properties, time deposits and other forms of charges.

The Group has been unable to meet certain scheduled repayments due to its bankers and creditors during the six months ended 30 June 2005 and up to the date of this interim report. As a consequence, there are various lawsuits against the Group from a number of bankers for the repayment of the amounts due by the Group. Hence, bank and other borrowings of approximately HK\$33.8 million at 30 June 2005 are immediately due and payable.

Prospects

The Group has only retained its property investment in Malaysia. As the operating income of the Group continues to diminish, focus for the year will be on resolving the financial difficulties encountered by the Group. The Group will actively seek for potential investors and/or financing to strengthen its financial base and will restructure its existing operation to improve shareholder returns. The robust performance of the PRC's economy, together with improving conditions in Hong Kong and Malaysia are expected to set the Group well on track to succeed in its restructuring and future development.

Liquidity and Capital Resource

As at 30 June 2005, the net asset value of the Group was HK\$173.4 million. The Group's total bank and other borrowings were decreased by HK\$9.3 million from HK\$43.1 million to HK\$33.8 million while the loan from minority shareholders decreased slightly from HK\$0.02 million to HK\$0.019 million. The total bank and other borrowings of HK\$33.8 million is all repayable within one year.