

Management Discussion and Analysis

RESULTS

During the current year under review, the Group achieved a turnover of HK\$5,399,000 and profit attributable to shareholders of HK\$3,975,000, compared with the turnover of HK\$3,095,000 and loss attributable to shareholders of HK\$36,567,000 recorded in last year.

SEGMENT INFORMATION

Turnover represents rental income from leasing of properties.

Segment information is set out below:

(A) Business segments

The Group is principally engaged in property development and property investment.

Segment information about this business is presented below:

(i) Results

| | Turnover | | Contribution to profit (loss) | |
|--|------------------|------------------|-------------------------------|------------------|
| | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 |
| Property development and property investment | | | | |
| Property development | – | – | – | (36,578) |
| Property letting | 5,399 | 3,095 | 2,794 | 1,684 |
| | 5,399 | 3,095 | | |
| Segment results | | | 2,794 | (34,894) |
| Other income (note (a)) | | | 18,035 | 5,502 |
| Negative goodwill released to income | | | – | 6,601 |
| Less: Provision for loss on settlement of legal case | | | (3,000) | – |
| Unallocated administrative expenses | | | (13,724) | (13,776) |
| Profit (loss) before taxation | | | 4,105 | (36,567) |
| Taxation | | | (130) | – |
| Profit (loss) for the year | | | 3,975 | (36,567) |

Notes:

- (a) Other income represents mainly net income from short-term treasury activities, including investments in securities and money market funds and the placement of bank deposits.
- (b) In prior year, the loss attributable to the property development of HK\$36,578,000 shown above comprised write down of properties for sale and impairment loss on properties for development amounted to HK\$16,000,000 and HK\$20,578,000 respectively.

(B) Geographical segments

The Group's principal activities, comprising property development and property investment, are carried out in Hong Kong and the PRC.

The following table provides an analysis of the Group's turnover by location of customers:

| | Turnover from geographical market | |
|-----------|--------------------------------------|----------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 1,440 | 62 |
| The PRC | 3,959 | 3,033 |
| | 5,399 | 3,095 |

A more detailed analysis of the Group's segment information is set out in note 7 to the consolidated financial statements.

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LIQUIDITY AND FINANCIAL RESOURCES

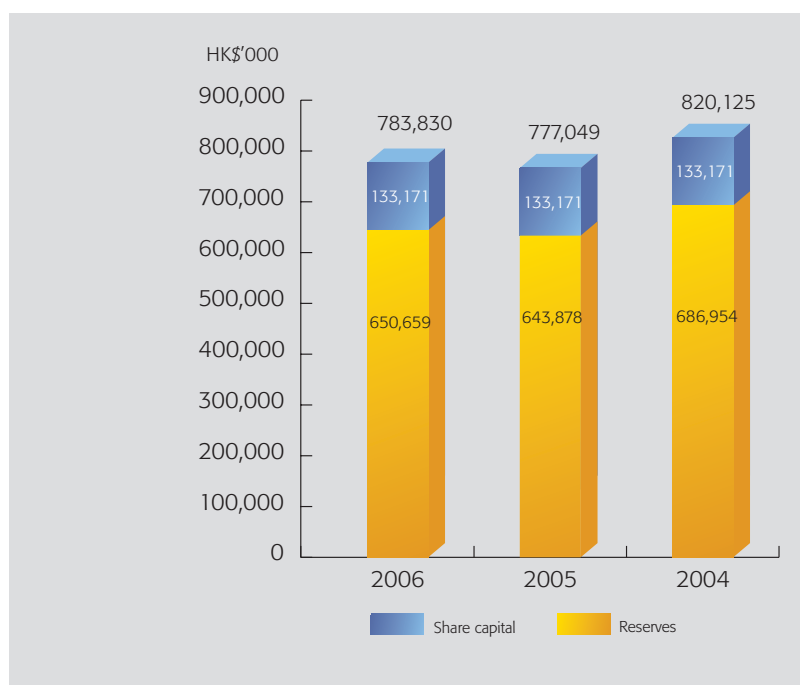
As at 31st March, 2006, the Group remains cash-rich and has no bank borrowings and no material capital expenditure commitments or financial obligations. All operations are financed internally by shareholders' funds. There is no maturity profile of debt and obligation.

Cash and other liquid assets amounted to HK\$595,568,000 and accounted for 82.9% of total current assets.

Exchange risk of the Group is not significant as the assets of the Group comprised substantially of cash, fixed income notes or money market funds denominated in United States currency which is officially pegged to the Hong Kong currency. No financial instrument are needed for hedging purposes in respect of interest rate and currency.

CAPITAL STRUCTURE

As at 31st March, 2006, the Group had no long term borrowings and its operations were financed entirely by shareholders' funds.





ORDER BOOK

Due to its business nature, the Group has no order book at 31st March, 2006. The Group has no new product and services to be introduced to the market.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 41.1% and 73.9% respectively of the Group's turnover for the year. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

During the year, the Group has not made any purchases other than incurring rental outgoings and overhead expenses.

Save as the connected transaction disclosed in page 19 of this report, none of the Company's directors, their associates or any shareholders of the Company (who to the best of the knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers and the five largest suppliers.

STAFF AND EMOLUMENT POLICY

As at 31st March, 2006, the Group employed 61 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Company has a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out on page 20 of the report of directors.