

## INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend (2005: Nil). Accordingly, no closure of register of members of the Company is proposed.

## REVIEW OF RESULTS

During the period, the Group's turnover was HK\$29.4 million (2005: HK\$60.8 million), representing an decrease of 51.6% over last period. Gross margin fell to gross loss of 3% (2005: gross profit of 7%) due to increase in material prices and production cost. Net loss of the Group was HK\$20.6 million (2005: HK\$8.5 million) and loss per share was HK6.4 cents (2005: HK3.2 cents).

## BUSINESS REVIEW AND PROSPECTS

### Consumer electronics business

The turnover of the Group's electronics business was HK\$2.3 million (2005: HK\$37.9 million), a 94% decrease over last period. Adversely affected by an overall increase in material prices and production costs, the electronics business enhances its negative contribution to HK\$15.6 million (2005: HK\$3.6 million). In response to the negative result on this segment, the Group terminated the consumer electronics business in June 2006.

### Snap off blade cutter business

The turnover of the Group's cutter business was HK\$25.7 million (2005: HK\$21.4 million), a 20% increase over last period. Adversely affected by an overall increase in material prices and production costs, the results of this business segment turned to a negative contribution of HK\$2.7 million (2005: profit contribution of HK\$0.4 million).

### Investment properties business

The turnover of the Group's investment properties business was HK\$1.3 million (2005: HK\$1.5 million), a 13% decrease over last period. During the period, most of the Group's investment properties are situated in Northern Industrial Complex, Panyu, Guangdong Province of the PRC.

Subsequent to the balance sheet date, the investment properties in Panyu have been disposed and the Group has acquired investment properties in Shanghai in order to enhance the investment properties business. Please refer to the post balance sheet event for details. Those investment properties in Shanghai will generate a stable stream of income for the Group. The Group leased back certain properties in Panyu in November 2006 so as to operate the snap off blade cutters business.

### Geographical segment analysis

The Group's client base is quite well diversified in terms of geographical locations. There was a high concentration in the Hong Kong market since sales were classified according to the location of direct clients. Most of the goods sold to our clients in Hong Kong were in fact exported to other countries.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the current and non-current liabilities of the Group amounted to HK\$83 million (As at 31 March 2006: HK\$85 million) and HK\$1.2 million (As at 31 March 2006: HK\$1.5 million), respectively. The amount of net current liabilities enhances further to HK\$63.3 million mainly due to the increase in the loss incurred during the period.

During the period, the Group recorded an operating cash inflow of HK\$18.1 million (2005: 2.9 million outflow) and the gearing ratio, defined as the percentage of total borrowings to shareholders' funds, rise to 147% (2005: 115%).

The Group's financial position will enhance after the Group has entered into placement agreements with independent third parties in December 2006, which will raise net proceeds of HK\$26.3 million subsequent to the balance sheet date.

## USE OF PROCEEDS FROM ISSUE OF SHARES

On 18 May 2006, the Company entered into a conditional subscription agreement with a subscriber, a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules), for the subscription of 58 million new shares at a price of HK\$0.23 per new share. All conditions of the agreement for the subscription were fulfilled and the 58 million new shares were issued to the subscriber in mid 2006. The net proceeds from the subscription of approximately HK\$13.24 million were used to finance general working capital requirements of the Group.

## POST BALANCE SHEET EVENTS

### Subscription of new shares

In December 2006, the Company entered into a conditional subscription agreement with ten subscribers, third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules), for the subscription of approximately 69 million new shares at a price of HK\$0.38 per new share under the general mandate granted to the Directors pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 30 August 2006. The net proceeds from the subscription of approximately HK\$26.3 million will be used as general working capital. The subscription is to be completed on or before 29 December 2006.

### Disposal of the properties in Panyu

On 8 July 2006, the Group entered into a letter of agreement with an independent third party to dispose all of its interest in the properties in Panyu in PRC, at a consideration of RMB75 million, resulting a gain of RMB4 million attributable to the Group. For details, please refer to the circular dated 14 August 2006. The disposal was completed on 26 October 2006.

### Acquisition of the interest in the investment properties in Shanghai

On 21 August 2006, the Company entered into a sale and purchase agreement with an independent third party to acquire the entire issued capital of Luck Grow Group Limited, whose principal assets are the properties in Shanghai and the sale loan for consideration of approximately HK\$182.5 million. For details, please refer to the circular dated 31 October 2006. The acquisition was completed on 27 November 2006.

## **CHARGES ON GROUP'S ASSETS**

As at 30 September 2006, Nil (31 March 2006: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

As at 30 September 2006, approximately 12% (31 March 2006: 94%) of the Group's land and buildings were pledged to banks to secure credit facilities granted to the Group.

## **CONTINGENT LIABILITIES**

### **The Group**

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately Nil (31 March 2006: HK\$338,000) as at 30 September 2006.

### **The Company**

As at the balance sheet date, the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounting to HK\$28,343,580 (31 March 2006: HK\$57,469,794).

## **PROSPECTS**

The Group will continuously put efforts on improving the performance of the Group. The Group will under the principle of prudence carefully look for potential investment opportunity (if any) in order to diversify its business and improve the performance. The Group believes that it is heading in the right direction and tries to maximize the wealth of shareholders.

## **EMPLOYEES**

As at 30 September 2006, the Group had approximately 320 employees. Most of the employees were working in Panyu, Guangdong Province, the PRC. Employees are remunerated on a performance basis with reference to market practices. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees to achieve the Group's business goals.