

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are the trading of textiles and re-development of Bowen Hill Apartments. The re-development is still under progress. The Company is still looking for new investment opportunities.

PROSPECT

The re-development of Bowen Hill Apartments will be completed within one year. The returns from the re-development will improve the Company financial structure.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2004, net current liabilities of the Group were approximately HK\$184 million (2003: HK\$174 million). The current ratio was 0.86 (2003: 0.84). The cash and bank balance on hand was HK\$1,000,000 (2003: HK\$422,000).

As at 30 June 2004, the Group has outstanding borrowings of approximately HK\$1,318 million comprising (i) secured bank loans and accrued interest and other borrowings cost on bank loans of approximately HK\$709 million, (ii) other loans and amounts due to directors of subsidiaries of approximately HK\$469 million and (iii) other payables and taxation payable of approximately HK\$140 million. The bank borrowings are on floating interest rates basis.

The majority of the Group's assets and borrowings are denominated either in Hong Kong dollars or US dollars thereby avoiding exposure to undesirable exchange rate fluctuations. In view of the stability of the exchange rate of HK dollars and US dollars, the directors consider that the Group has no significant exposure to exchange fluctuation and does not pledge against foreign exchange risk.

The Group's bank loans were secured by leasehold land and buildings and properties under development held by the Group with a total net book value of approximately HK\$1,246 million. The issued ordinary shares of a wholly-owned subsidiary of the Company, Holyrood Limited, were also pledged to a bank to secure credit facilities granted to the Group. In addition, the Group's bank deposits of approximately HK\$11 million were pledged to a bank for guarantees in respect of bank loans.

The Directors consider that it is not meaningful to publish a gearing ratio for the Group until such time as the Group is in a positive shareholders' equity position.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2004, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2004, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2004, the Group employed a total of 9 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2004, the Company has provided guarantees to banks in respect of banking facilities granted to its subsidiaries amounting to approximately HK\$997 million.

DIVIDENDS

The Directors of the Company do not recommend the payment of a final dividend (2003: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 30 June 2004, the largest customer and the three largest customers of the Group accounted for approximately 47% and 100% of the Group's total turnover respectively. The largest supplier of the Group accounted for 100% of the Group's total purchases.

None of the directors, their associates or any shareholders (who to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the major customers or suppliers noted above.

ACKNOWLEDGEMENT

On behalf of my fellow directors, I wish to thank all staff and employees for their diligence and loyal support during the year under review.

By order of the Board

Law Fong

ACTING CHAIRMEN

Hong Kong, 19 October 2004