

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial and Operation Review**

The turnover of the Group for the six months ended 31 December 2005 was HK\$3.9 million (2004: HK\$2.5 million). The rental income generated from the investment properties was HK\$1.8 million (2004: HK\$1.8 million). The trading and manufacturing of equipment and accessories for broadband and cable television in PRC was HK\$2.1 million, increased almost 200% over the same period last year.

### **Liquidity, Financial Resources and Capital Structure**

As at 31 December 2005, the gearing ratio of the Group decreased to 14.6% (30 June 2005: 14.9%). It was computed on the basis of the aggregate interests bearing loans, which comprise bank borrowings, loans, overdraft, other borrowings and obligations under hire purchase contract and finance lease, divided by the issued capital.

As at 31 December 2005, the Group had short-term loans with banks and financial institutions approximately HK\$17.8 million (30 June 2005: HK\$18.9 million) and long-term borrowings approximately HK\$66 million (30 June 2005: HK\$66 million). The loans were at interests of prevailing commercial lending rates.

All of the Group's bank balances and borrowings were denominated in Hong Kong dollars and Renminbi, risk in exchange rate fluctuation would be immaterial. Thus, the Group does not use any hedges.

### **Other matters**

There were no significant changes in the Group's employee remuneration and benefit policies, future plans, significant investment held, or charges on the Group's assets since the most recent published annual report. The management is not aware of any seasonal or cyclical factors that affect the interim results of the Group.

### **Prospects**

The Group will focus on property investment, development and consultancy projects in mainland China and Macau. The Group has lodged an appeal to the Stock Exchange to resume its listing status. Upon resumption of its listing status, the Group will consider raising equity capital.