

# Management Discussion and Analysis

## Liquidity and Financial Resources

The Group recorded a net cash inflow of approximately HK\$2,546,000 during the year. At 31 March 2007, unrestricted cash and bank balances of the Group amounted to approximately HK\$6,860,000 (2006: HK\$4,314,000). Bank borrowings of the Group as at the same date amounted to approximately HK\$4,797,000 (2006: HK\$4,560,000), which are repayable within one year.

The Group's bank and other borrowings were denominated as to 100% in Renminbi. The Group conducted most of its business in Renminbi and Hong Kong dollars so that it does not have any significant exposure to foreign exchange fluctuation.

Shareholders' equity is HK\$65,466,000 (2006: HK\$65,479,000), representing a decrease of 0.02% over last year.

The Group's gearing ratio, expressed as the percentage of the Group's bank borrowings over shareholders' equity, was approximately 7.3%.

## Acquisition and Disposal of Subsidiaries and Associated Companies

The Company, through its wholly owned subsidiary, Benelux Property Development (Shanghai) Limited, entered into a transfer of ownership of equity interest and shareholders' loan agreement on 26 May 2006 to dispose of all its equity interest in, and shareholder's loan due from, a jointly controlled entity, 上海英之倫房地產發展有限公司 (Shanghai Ying Zhi Lun Property Development Limited) ("YZL"), which constituted a very substantial disposal of the Company (the "Very Substantial Disposal"). Details of the Very Substantial Disposal are set out in the Company's announcement dated 23 August 2006 and its circular dated 13 November 2006. The disposal was completed during the year, and after that the Group ceased to have any interests in YZL.

The Company, through its wholly owned subsidiary, 東南(山東)置業有限公司 (South East Property (Shandong) Limited) ("SEP"), entered into a new cooperation for development agreement on 31 July 2006 to dispose of a residential development site held by SEP, which constituted a major transaction of the Company (the "Major Transaction"). Details of the Major Transaction are set out in the Company's announcement dated 4 August 2006 and its circular dated 8 September 2006. Pursuant to the aforesaid agreement, a jointly controlled entity, 山東鄒平東南怡聯置業有限公司 (Shandong Zouping South East Yi Lian Property Company Limited) ("SEYL") was incorporated in the PRC on 23 August 2006. As disclosed in the Company's announcement dated 10 July 2007, the parties to the aforesaid agreement entered into a supplementary agreement dated 9 July 2007, so that SEYL will become owned as to 5% by SEP and 95% by the PRC investor. Pursuant to the supplementary agreement, SEP will ultimately transfer its 5% equity interest in SEYL to the PRC investor.

Furthermore, the Group completed the deregistration of a Hong Kong incorporated subsidiary, which had been dormant and had ceased operations was completed during the year.

## Employee Information

At 31 March 2007, the total number of employees of the Group was approximately 157 (2006: 265). Employees are basically remunerated based on the nature of their job and their performance as well as prevailing market trend. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Company also adopted a share option scheme in November 2003 to reward employees for their contributions to the Group.

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### Charges on Group Assets

At 31 March 2007, the Group pledged certain assets including land and buildings with an aggregate net book value of HK\$7,644,000 (2006: HK\$7,436,000) to secure the general banking facilities and bank loans granted to the Group.

### Capital Commitment and Contingent Liabilities

At 31 March 2007, the Group had no outstanding capital commitments (2006: HK\$9,363,000). There has been no material change in the Group's contingent liabilities since the publication of the last annual report. The Purported Guarantee (as defined under note 30 to the financial statements) has been treated by the directors of the Company on the ground of prudence as contingent liabilities in the Company's financial statements.

### Litigation

Details of the litigation of the Company are set out in note 30 to the financial statements.