

During the year under review, the Group recorded substantial improvement in performance attributable to the improved results of its various businesses, including computer and information communication technology, food and beverage and investment in securities. As compared with last year, the Group's turnover and profit attributable to equity holders of the Company increased by 21% and 23 times respectively to HK\$832 million and HK\$37 million.

DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK5 cents (2005: HK1 cent) per share payable to shareholders whose names appear on the Register of Members of the Company on Friday, 25th August, 2006. Together with the interim dividend of HK3 cents (2005: HK1 cent) per share paid in January 2006, the total dividends for the year amounted to HK8 cents (2005: HK2 cents) per share, 300% more than last year and representing a dividend payout of 37.1%. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the dividend warrants will be distributed and paid on or about Thursday, 5th October, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite a mild 4.5% decline in its turnover to HK\$549 million, the Computer and Information Communication Technology segment reported 12 times increase in operating profit to HK\$18.4 million.

The Computer Division continued to perform well and remained as the major contributor of both turnover and profit in this segment. Profit growth of the division, in particular, was the result of strong performance of notebook distribution business in Hong Kong. Representing a worldwide leading brand in notebook



Dr Chow Yei Ching
Chairman

computer – Toshiba, the division captured the growing local demand for computer equipments at the effort of its internal sales teams working in close collaboration with dealers and suppliers to deepen market penetration. Restructured and adopting stringent cost control, its Thailand operation managed improvement in performance. The Business

Machines Division also streamlined its operations and scaled down several loss incurring businesses, focusing its resources and efforts on the more promising local market.



Chevalier distributes Toshiba notebooks and various multimedia digital products



Chevalier provides telephone system maintenance service for the Peninsula Hotel Hong Kong

The Network Solutions Division also recorded improved profit. This division offers comprehensive telecommunication and IT network solutions to corporate customers. Major projects undertaken during the year included the provision of maintenance service for the telephone call center system of The Peninsula Hotel Hong Kong, maintenance of PABX Systems and Solutions for American International Assurance covering 8,000 extensions, and installation and maintenance of Business Telephone

System for various HKSAR government departments. The Thailand Office of this division recorded improved performance in 2005. It offers comprehensive telecommunication, software applications and IP Telephony



Chevalier provides maintenance service of PABX Systems and Solutions for American International Assurance

Solutions to corporate clients. Major projects undertaken during the year included the provision of maintenance service under a 5-year contract for the Call Center of AIS (the largest mobile phone operator in Thailand) with more than 2000 agents, upgrading the IP PABX (over 3000 users) of CitiBank's Thailand Office, installation and maintenance of the IP PABX System of Standard Chartered Bank Thailand.

Pacific Coffee, which was acquired by the Group on May 20, 2005 contributed a 10-month turnover of HK\$180 million to the new Food and Beverage segment for the year. Segmental profit amounted to HK\$18.8 million, which was in line with the Group's expectation. The newly acquired business was integrated into the Group's organisation structure smoothly without any disruption to daily management and operation. Pacific Coffee continued its growth plan in Hong Kong and Singapore and expanded into the Mainland China market during the year. Efforts were made together with suppliers and partners to ensure new shops offer customers a pleasing environment coupled with high quality products and services. Before the acquisition in May 2005, Pacific Coffee had a total of 44 outlets. Currently, Pacific Coffee operates a total of 57 outlets, including 44 in Hong Kong, 8 in Singapore, 3 in Shanghai and 2 in Beijing. It also plans to expand its business to Macau before the end of this year. The outlets in Hong Kong range from 500 sq. ft. to 4,400 sq. ft. in floor area. The new shops in Tung Chung and Wanchai are large-scale outlets of 3,000 sq. ft. and 2,500 sq. ft. respectively. With providing world-class coffee, delicious foods and comfortable environment as its objectives, Pacific Coffee is bold in adopting new concepts and store designs – the Pak Fook Store in Wanchai took on a contemporary look in April this year, and expanded its product offerings to include "Gelato", freshly made Italian style ice cream and sorbet. To further strengthen Pacific Coffee's image and market leadership, the Group plans to step up investment in IT infrastructure, marketing campaign and internal management system of the business to enhance efficiency and customer loyalty.

In addition to the food and beverage retail business, Pacific Coffee also sells its branded products to wholesale accounts and provides coffee services to corporate accounts. Convinced by the success of Pacific Coffee in capturing the fast growing and lucrative specialty coffee business in Hong Kong, the

PRC and neighboring countries, the Board intends to further develop the Group's food and beverage businesses to obtain economy of scale and broaden the income stream. New stores will be added to the Pacific Coffee chain, and expansion through acquisition will be considered, if the right opportunities arise.

Favorable conditions in the equity and bond securities market saw the profit of the Group's investment in securities segment increase by 325% to HK\$5.7 million. The Group, however, has continued to adopt a prudent approach in managing its investment in securities with its portfolio weighing more heavily on structured deposits and debentures. The Group also maintains high liquidity in the portfolio with substantial cash on hand to meet the needs of operating and investing activities from time to time.



The ever-expanding Pacific Coffee has opened more new shops with creative concept and shop design

PROSPECTS

In Mainland China, recent economic data in relation to industrial production, retail sales and M2 supply growth all pointed to a higher-than-expected annual growth. The set of buoyant data, however, is expected to lead to further tightening of the government's grip on the economy and overheated sectors such as the property sector. The service sector, on the other hand, will benefit from the government striving to enhance private consumption and the retail sector, which will also be conducive to the Group expanding its food and beverage business in Mainland China.

The world economy has moved into an asset-inflation phase compounded by surging commodity prices fuelled by the tremendous increase in demand from emerging markets. Amid fear of rising inflation, global monetary policy is expected to tighten further, thus continue to create pressure on growth and keep risk premium high. In Hong Kong, impressive economic growth continued in the first quarter of 2006, but economic slowdown in our major export markets will see Hong Kong make only moderate real growth in 2006. Although notebook computer faced a tough market in the 2nd quarter of 2006, the steadily growing Hong Kong economy is expected to brace growth of the Group's IT business. The Group will actively

develop the home networking equipment market together with potential strategic partners. In addition to focusing on network protection and email security solutions, we will also undertake multimedia networking projects and strive to capture opportunities in service outsourcing.

The Group is excited about the potential of Pacific Coffee in Mainland China. It believes the number of Pacific Coffee stores, with Shanghai, Beijing and other major Chinese cities as bases, will increase and reach three digits within the next few years. Initial consumer response and industry feedback have been positive as a refined operation model is applied in Pacific Coffee's mainland stores to meet the special needs of this significant market. It is the strategy of Pacific Coffee to operate its own stores rather than via franchise, in its bid to ensure quality and operational consistency. However, the Group also recognises the need for it to from time to time leverage the skills and market knowledge of certain local partners which is achieved through alternative business financing and operating models.

To grow its new lifestyle food and beverage business, the Group will continue to explore investment opportunities in Hong Kong and neighboring regions. It aims to generate higher recurrent income and profit from the segment in the coming financial years.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management and all staff for their concerted effort, commitment and professionalism, which was instrumental to helping the Group achieve strong performance for the year.

CHOW Yei Ching

Chairman

Hong Kong, 24th July, 2006