

## BUSINESS REVIEW

The Company is an investment company and principally engaged in investments in a diversified portfolio of listed and unlisted companies mainly in the United Kingdom (the "UK"), Hong Kong and the People's Republic of China (the "PRC"). There was no change in the nature of the Company's principal activity during the year. As at 31 December 2006, investment portfolio of the Company consisted of listed security with total market value of HK\$231,000 (2005: HK\$652,000) and unlisted securities amounted to HK\$1,350,000 (2005: HK\$2,170,000).

The Board has resolved not to recommend a dividend.

For the year ended 31 December 2006, the Company recorded a net loss of HK\$2,740,000 (2005: HK\$4,726,000) and this was mainly attributable to the impairment loss on available-for-sale financial assets of HK\$2,120,000 (2005: HK\$430,000) and directors' remuneration of HK\$525,000 (2005: HK\$523,000).

The Company was holding a listed company security, Bolton Group (International) Limited. Apart from the above listed security, the Company had also made investments in unlisted companies, Harbin Dongfang (Hong Kong) Food Co, Ltd., Netters Land Management Limited and Netx Limited. The Company did not receive any dividend income (2005: HK\$9,000) during the year ended 31 December 2006. The Board is optimistic to the future prospects of these companies in their respective lines of businesses and expects attractive return on investments and medium-term capital appreciation.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Company had retained cash of HK\$51,000 (2005: HK\$62,000). As all the retained cash was placed in Hong Kong Dollars account with the banks in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Company had net current liabilities of HK\$3,258,000 (2005: HK\$1,338,000) and no borrowings or long term liabilities as at 31 December 2006. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2006, was undefined (2005: 2.567) due to that the Company had a net liabilities value of HK\$1,908,000 as at 31 December 2006.

## EMPLOYEES

As at 31 December 2006, the Company had 6 (2005: 6) employees, including executive and independent non-executive directors of the Company. Total staff costs for the year under review amounted to HK\$525,000 (2005: HK\$523,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

During the year under review, no option has been granted or agreed to be granted under the share option scheme.

## CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Company's assets or any significant contingent liabilities as at 31 December 2006 (2005: Nil).

## PROSPECTS

In 2007, the Company will continue to identify and pursue investment opportunities in Hong Kong, the PRC and other areas in accordance with the Company's investment objectives and policies.

In view of the remarkable economic growth in the PRC and Hong Kong in the coming years, it is expected that direct foreign investments in the PRC and Hong Kong will also be strong and positive. The Board believes that Hong Kong can take advantage of the blooming economy of the PRC to give strong support to its domestic economy in the coming years. The Company will closely monitor its underlying investment portfolio and make further investments and/or divestments to capture the opportunities arisen in Hong Kong and/or the PRC. The Company will also work closely with its investment manager to identify suitable investment targets and to continue to make investments with potential in short to medium term in order to maximize returns to shareholders. We are of the opinion that any short-term turbulence in the capital markets may actually represent opportunities to acquire profitable investment.

## APPRECIATION

On behalf of the Board, I would like to express my appreciation to the shareholders for their continued support and to the investment manager for their dedicated effort since the Company's listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On behalf of the Board

**Tam Wai Keung, Billy**

*Chairman*

Hong Kong, 13 April 2007