FINANCIAL REVIEW

For the year ended 31 December 2005, the Group's business posted significant growth to record a turnover of HK$94,241,000 (2004: HK$48,266,000), an increase of approximately 95% over that of last year. Gross profit was HK$55,630,000 (2004: HK$21,204,000), an increase of approximately 162%. The growth in turnover and gross profit was mainly attributable to the excellent performance of the Group's entertainment media business and the newly developed financial services business. Loss attributable to equity holders of the parent markedly narrowed to HK$7,565,000 (2004 (restated): HK$97,175,000), representing a huge step in the Group's strive for a turnaround. The consolidated net assets increased from HK$48,340,000 to HK$135,064,000. The adoption of the new HKFRSs impacted the Group's profit and loss significantly which increased its expenses by HK$9,053,000. Finally, the loss attributable to equity holders of the parent amounted to a loss of HK$7,565,000 in 2005.

BUSINESS REVIEW

The Group's business restructuring continued during 2005. It currently has four business segments: Entertainment Media Segment, Property Investment Segment, Financial Services Segment and Telecommunication Segment. The focal point of the Group, however, has been on its core business of entertainment media content distribution.

Entertainment Media Segment

During the year under review, the turnover of this Segment, the Group's core business, amounted to HK$72,153,000 (2004: HK$31,665,000) representing a growth of 128%. External sales of this Segment accounted for approximately 76% of the Group's turnover. Gross profit rose from HK$15,294,000 to HK$39,514,000 and gross profit margin was 55% (2004: 48%).

In Japan, the Group operated contents distribution business through installing digital content downloading kiosk machines in internet cafes, video rental shops and other chain stores in major areas in Tokyo, Japan and nearby prefectures eg Kanagawa, Saitama and Chiba etc. The stand alone kiosk machines provided by the Group enable Japanese customers to download entertainment contents, including movies, pictures, music and games in a quick, easy and secure way without risking leakage of personal information. As at 31 December 2005, 670 units had been installed in Japan.

In 2005, the Group entered into agreements with Quants Inc. ("Quants") and Freparnetworks Inc. ("Frepar"), both are shareholders of the Company, to lease from Quants a maximum of 3,400 kiosk machines for 5 years and for Frepar to manage such machines during the 5 years. These agreements enabled the Group to rapidly expand its content distribution business in Japan which the Group considers has great potential. Details of the transactions are disclosed in the Company's circulars dated 8 September and 8 December 2005.

In Hong Kong, the Group trades under the brand "Yeahmobile" and offers ring tone, MP3 ring tone, connecting tones, wallpaper, Java games download, sports information, personalized voice mail and community services. During the year under review, advertising costs increased substantially and outpaced profit. This business has matured in Hong Kong and the Group is looking for ways to diversify the business including developing its own content to heighten margins.

BUSINESS REVIEW *(continued)*

Entertainment Media Segment *(continued)*

In the PRC, the Group offers services including Java games, community, graphics, sports information, jokes and certain ring tone. During the year under review, the Group introduced multimedia service products that received warm market response and contributed to the improved performance of the PRC business.

During the year under review, the Group ceased its on-line gaming service operation in Macau which performance had been unsatisfactory. The Group will deploy the resources saved to the more profitable businesses.

Property Investment Segment

The Segment reported a turnover of approximately HK$3,526,000 (2004: HK$3,110,000). A net property revaluation gain of HK$7,080,000 (2004: net property revaluation loss of HK$1,070,000) was recorded by the Segment during the year under review.

In Hong Kong, the Group's properties in Citicorp Centre were almost leased out. It generated an average monthly rental income from third parties and group companies of HK$294,000. It is a stable income stream for the Group. The Segment had renovated certain units in Citicorp Centre at the end of 2005 and successfully leased out all renovated units to third parties in early 2006.

During the year under review, the Group disposed of two non-wholly owned subsidiaries that held all the Group's properties in Guangzhou, the PRC which recorded a loss of HK$4,319,000.

Financial Services Segment

During the year under review, the Group expanded this Segment by increasing services provided. Easy Loan Services (Asia) Limited, a Hong Kong licensed money lender company, was set up to provide loans to third parties. Besides the lease financing, S.I. Investments Limited expands its business to provide investment advisory services to investors seeking to do business or make investments in Japan. In 2005, the Segment's turnover amounted to HK$14,719,000.

Telecommunication Segment

During the year under review, the turnover of this Segment amounted to approximately HK$4,719,000 (2004: HK$4,604,000). Due to severe competition in Hong Kong and the limited capital employed, the Segment was not profitable and thus quit Hong Kong market. The Group's subsidiary in Hawaii maintained stable performance and continued to provide maintenance and support services for its main customers in Japan.

BUSINESS REVIEW *(continued)*

Capital

During the year, the Company had received several notices from convertible preference shares ("CPS") holders to convert in aggregate of 1,766,666,666 CPS into ordinary shares. In January, February and March 2006, a total of 1,300,000,000 CPS were further converted into ordinary shares. As at 31 March 2006, all CPS had been converted into ordinary shares.

In December 2005, the Company had consolidated every 100 issued shares of HK$0.01 each to 1 share of HK$1 each ("New Share").

In February 2006, the Company had issued 200,000 share option of New Shares at HK$3.965 each to a consultant who assists in negotiating and soliciting ventures with television shopping business in Guangzhou.

Acquisition and Disposal of Subsidiaries

During the year under review, the Group had issued total of 490,000,000 shares of HK$0.01 each of the Company to Frepar to acquire Drive Limited ("Drive"). Drive generated turnover of approximately HK$16,548,000 and contributed gross profits of approximately HK$1,093,000 to the Group.

In addition, the Group had disposed all the entire issued capital of two non wholly-owned subsidiaries, Alion Development Limited and Unique Profit Development Limited to Wansford Group Limited ("Wansford"), the minority shareholder of Mansion China Company Limited ("MCCL"), and to acquire from Wansford 40% equity interest in MCCL. Details of the disposal are disclosed in the circular dated 21 July 2005. MCCL becomes dormant after acquisition and is in the process of being wind up.

Liquidity, Finance Resources, Charges on Group Assets and Gearing Ratio

As at 31 December 2005, the Group had bank balances and cash of approximately HK$27,374,000, bank overdraft and short term bank loans at approximately HK$22,354,000, convertible preference shares at HK$21,218,000, bank loans due after one year of approximately HK$17,039,000 and obligations under finance leases at HK$94,991,000. Except for convertible preference shares and obligations under finance leases, all debts were borrowed on floating rate basis. The borrowings denominated in Japanese Yen, Hong Kong dollars and US dollars are 61.0%, 38.8% and 0.2% respectively.

The Group's current assets as at 31 December 2005 were approximately HK$74,166,000 while the current liabilities were approximately HK$64,045,000. As at 31 December 2005, the Group's current ratio was 1.16 (2004 (restated): 0.48).

As at 31 December 2005, the Group has banking facilities totaling approximately HK$57,390,000 and unsecured revolving term loan at HK$20,000,000 from Quants. All the banking facilities are secured by the Group's investment properties of aggregate carrying value of approximately HK$140,500,000 and personal guarantee of a director of the Company and a director of a subsidiary up to the extent of totaling HK$390,000. In addition, the Company and certain of its subsidiaries provide a bank of cross guarantees totaling HK$35,000,000 in respect of a shared banking facility to be used by the Company and these subsidiaries. The Group continues to adopt conservative funding and treasury policies. The Group's gearing ratio, representing the Group's total liabilities divided by the total equity of the Group, as at 31 December 2005 is 1.37 (2004 (restated): 2.54).

BUSINESS REVIEW *(continued)*

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's turnover, expenses, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, Renminbi and United States dollars. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the year under review. Japanese Yen fluctuated significantly during the year. The Japanese Yen borrowings are basically offset with the Japanese Yen finance lease receivables. The Group had not felt it appropriate to substantially hedge currency risk through forward exchange contracts upon consideration of currency risks involved and costs of obtaining such cover. During the year under review, the Group did not use financial instruments for hedging purposes. The Group continues to monitor the exposures to Japanese Yen and will take necessary procedures to reduce the fluctuations in exchange rates at reasonable costs.

Post Balance Sheet Events

In March 2006, Quants had purchased more shares of the Company from Yasuko-No-Denwa, Inc. and e-Charge Processing Service Corporation and becomes a substantial shareholder of the Company, details of which was announced in newspapers on 14 March 2006. Before Quants becoming a substantial shareholder, the Group has the following transactions:–

1. to lease at maximum 3,400 digital content download kiosk machines for 5 years, details of which are published in the circulars dated 8 September and 8 December 2005 and approved by the Company's shareholders at the special general meeting on 23 September and 23 December 2005;

2. to rent 70 digital content download kiosk machines for six months ending 24 May 2006;

3. to enjoy unsecured credit facilities to the extent of HK$20 million from 15 April 2005 to 31 December 2006; and

4. to provide professional services to Quants' subsidiaries in Hong Kong and receive service fee income since July 2004.

Since Quants becomes a connected party of the Company as defined in Chapter 14A of the Listing Rules, all the above transactions also become connected transactions.

Litigation and Contingent Liabilities

A material outstanding litigation which was commenced by a third party contractor in July 2002, claiming against a bank which had served a third party notice to the Company, for a performance bond amounting to HK$8,600,000 given by the Company to a former subsidiary in order for it to undertake an installation project with the third party contractor was settled in March 2006. As at 31 December 2005, the Group's bank deposit of HK$8,692,000 was pledged for the purpose of this performance bond. The litigation was settled at HK$4 million in March 2006. The pledged deposit was released in April 2006.

BUSINESS REVIEW *(continued)*

Litigation and Contingent Liabilities *(continued)*

Besides the aforesaid litigation case, there were also two civil litigation cases outstanding. One litigation case was commenced by a bankrupted third party for breach of an alleged agreement and claimed damages against the Company in respect of a joint venture formed in 1996 for construction projects. Another litigation case was commenced by a bank against the aforesaid bankrupted third party and the joint venture, which had served a third party notice to the Company, for outstanding balance of overdraft facilities. After obtaining two counsel's advices on the former case and a lawyer's advice on the latter case, the directors are of the opinion that these cases are remote and no provision has been made in the financial statements in respect of the alleged claims. Save as disclosed above, the Group did not have any material contingent liabilities.

Employee of the Group

The Group has adopted competitive remuneration package for its employees according to their performance. There are also contributions to provident fund schemes, medical subsidies, study and examination leaves offered to all full-time staff. As at 31 December 2005, the total head count of the Group was 86.

Outlook

Looking to the future, while continuing to focus on the entertainment media business, the Group will also push on with its diversification strategy to grow its overall business. Within the Entertainment Media Segment, the Group sees its digital content provision business via kiosk machines having the highest growth potential in the next few years.

In addition to its current operation in Japan, the Group plans to launch kiosk machines to other locations including Hong Kong. As at 31 March 2006, the Group has operated 1,387 machines in Japan and has a plan to continue to install 2,013 machines more till June 2007 in Japan. The Segment participated, with some alliance partners, the Hong Kong Music Fair held at Hong Kong Convention and Exhibition Centre in March 2006.

To exploit the immense potential of the PRC market, the Group has set its eyes on expanding its business into China. In April 2006, the Group will launch logistics services for television shopping in Guangzhou, Guangdong province.

Going forward, the Group is also looking to expand its property portfolio, particularly in the PRC. In 2006, the Group will actively explore property investment opportunities in China. The management expects the property investment business to help build a solid asset base and provide stable recurring income for the Group.