

## Chairman's Statement

The Group suffered a loss before minority interests of HK\$6.4 million for the year compared with a profit of HK\$8.6 million for 2004. Net loss attributable to shareholders amounted to HK\$19.8 million versus a net profit of HK\$7.2 million for 2004. The loss was mainly due to the write-off of the Group's investment in an e-commerce business, write-down to market of listed investments, and corporate overheads, notwithstanding positive contributions from the Group's home furniture and electronic components divisions.

Towards the end of 2005, we increased our equity holdings in Omnitech Holdings Limited ("OHL"), a company listed on the Australian Stock Exchange, from 51.6% to 77.04% by converting part of our loans and advances to the OHL group into listed shares of OHL. Our electronic component business, namely Lik Hang Holdings Limited ("Lik Hang") which is wholly-owned by OHL, recorded positive results from its new product development programme. Both revenue and operating profit have recorded healthy growth mainly attributed to the new power supply related product launch. Continuous effort will be planned to further develop products in this area so as to off-set the possible adverse effect of labour shortages in the Southern China area and the increasing costs of raw materials worldwide.

Despite the profitable results of Lik Hang, OHL's overall results were adversely affected by the results of the smart card technology division, VFJ Technology Holdings Limited ("VFJ"). VFJ's products have been facing intensive competition in China from local suppliers and continue to lose market share and suffer from reduced revenue. We will need to review VFJ's operational direction and strategic position in order to recover the situation.

2005 marked the first full year of our home furniture division, Windsor Treasure Group Holdings Limited ("WTG"), a 51.5% subsidiary. WTG had a very good year with strong growth in revenue and profit. The China market provides huge potential for further growth and expansion. While the home furniture business has proven to be an excellent investment, the Group is currently actively reviewing its long term strategies in respect of this and other business divisions and investment activities, taking into account the size of the Group, the diversified nature of our business activities, future expansions plans, funding requirements and management and other resources.

The write-off of an associated company in the e-commerce business which has become dormant due to continual negative operating cashflow and the write-down to market of listed investments represent part of the efforts to consolidate and streamline our investment activities. It should be noted that the value of our listed investments has recovered part of its value after the balance sheet date.

## Chairman's Statement (Continued)

The Group will continue to exercise stringent cost control and prudent financial policies in order to meet the challenges which face the Group. I remain confident that the Group is ready to move further ahead and to capture the growth opportunities available in the market.

Finally, I would like to take this opportunity to welcome both Mr. Sung Kai Hing, Simon and Mr. Hui Tung Wah, Samuel who joined the Board as Vice Chairman and Executive Director respectively on 27 June 2005. Mr. Sung is one of the founders and the Chief Executive Officer of our home furniture division and brings with him over 20 years of experience in the furniture business. Mr. Hui has vast experience in the banking and retail industries. I would also like to thank Mr. Lui Chun Bing, Tommy and Mr. Chim Chun Kwan, Sandy who resigned as Directors on 5 July 2005 and 1 November 2005 respectively, for their years of contribution to the Group.

**Shaw Wen Fei**

*Chairman*

Hong Kong, 13 April 2006