Management Discussion and Analysis

The Directors wish to set out below the review of the Group's business activities for the year ended 31 December 2005 and the overview of the Company's objectives for the year ahead.

Corporate Results

The Group recorded a turnover of HK$23,090,000 in the current year (2004 – HK$30,977,000). Of that HK$8,457,000 (2004 – HK$12,061,000) was derived from property investments.

The health products segment experienced a substantial downturn in the current year and contributed revenue of HK$1,778,000 as compared with HK$18,916,000 in 2004.

The newly acquired business in retail and media management in the People's Republic of China (the "PRC"), of which the Group took control in November 2005, generated total revenue of HK$12,855,000 in the last two months of 2005.

Total operating and administrative expenses increased by 25% or HK$4,227,000 as compared to the previous year. Distribution costs reduced by more than 40% as a result of the setback in the health products segment.

On the other hand, other operating expenses which mainly represented allowance for bad and doubtful debts, increased by HK$616,000. Administrative expenses increased by 103% from HK$7,312,000 in 2004 to HK$14,867,000 in the current year. The sharp increase in administrative expenses was mainly due to the inclusion in the income statement of the fair values of the share options granted to the Directors in late 2004 of HK$5,778,000.

Following the completion of the debt restructuring exercises, the Group had substantially reduced its total bank borrowings and thereby largely scaled down its interest expenses to HK$530,000 (2004 – HK$3,419,000).

Losses attributable to equity holders of the Company amounted to HK$16,572,000 in the current year (2004 – Profit of HK$132,974,000) after taken into account the financial effect arising from the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA since 1 January 2005. Of these new HKFRSs, HKFRS 2 – Share-based Payment had the largest financial impact on the Company and the Group, as it required the issuing entity to reflect the share option value as employee cost through the income statement. As a result, employee cost was inflated by HK$5,778,000 in the current year. These share options were only granted towards the end of 2004, its effect for the year ended 31 December 2004 was negligible and therefore no prior year adjustment was put through.

Management Discussion and Analysis

Dividends

The Board has resolved not to recommend the payment of any dividend for the year ended 31 December 2005 (2004: HK$Nil).

Financial Resources and Liquidity

Borrowings

Cash and bank balances fell from HK$5,008,000 at 31 December 2004 to HK$4,003,000 at 31 December 2005. On the other hand, the Group fully repaid its interest-bearing bank borrowing of HK$4,493,000 during the year. During the year, the Group mainly relied on the borrowings from controlling shareholders to sustain its business expansion as well as merger and acquisition needs. As a result, total borrowings (largely comprised of shareholder's loans) of the Group surged to HK$19,603,000 as at 31 December 2005 and represented an increase of 76% of which HK$9,185,000 was related to the acquisition of the new retail and media management business in PRC in November 2005.

Pledge of assets

As at 31 December 2005, the Group's properties held for resale and properties under development with carrying value of HK$9,700,000 and HK$1,861,000, respectively had been pledged to the financial creditors as security for the indebtednesses of around HK$5,186,000.

Current Ratio

The current ratio as at 31 December 2005 stood at 0.61 as compared to 1.27 at 31 December 2004. Taking into account the strong performance of the new retail and media management segment, together with the proceeds from the issuance of new shares in April 2006, the Directors are of the opinion that there is sufficient working capital to meet all financial obligations when they fall due.

Investment

On 9 September 2005, the Company announced its intention to acquire Top Pro Limited, whose main asset is its indirect investment in Shanghai Pei Lian Trading Company Limited ("Shanghai Pei Lian"), a company incorporated in the PRC engaging in the sales and distribution of consumer products through television commercials and call centres. The acquisition was approved by the shareholders in the extraordinary general meeting held on 11 November 2005 and the transformation of Shanghai Pei Lian from a PRC incorporated company into a wholly-foreign owned enterprise was also been approved by the relevant Government authorities on 20 December 2005.

The Group took over the management of Shanghai Pei Lian from 1 November 2005 and has since been actively involved in expanding its business activities and enlarging its scope of business to that of provision of media management services. The acquisition has added a new revenue stream to the Group as well as enhancing the Group's profitability.

Review of Operations

Exchange rate exposure

As at 31 December 2005, Renminbi and HK dollar accounted for 49% and 51% of the Group's total bank and cash balances respectively. As the majority of sales, purchases, assets and liabilities committed by the health products segment and the retail and media management segment of the Group were mainly denominated in Renminbi, the Group is subject to a certain level of exchange rate exposure. However, as the exchange rate of Renminbi to HK dollar was relatively stable and there had not been any material conversion issue, the Board considered the Group's exposure to foreign exchange risk to be relatively low.

Staff and Remuneration Policy

The number of employees (including Directors) as at 31 December 2005 increased to 156 persons (2004 – 32 employees) as a result of the inclusion of the newly acquired retail and media management business. The Group recruits and promotes individuals based on merit and their development potential for the positions offered. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group operates a share option scheme for eligible employees (including Directors) to provide incentives to the participants for their contributions and continuing efforts to promote the interests of the Group.

Management Discussion and Analysis

Business Review, Corporate Strategy and Outlook

Property investment segment

2005 saw a lackluster property market in Hong Kong. Rental income in 2005 for the Group fell as a result of the disposal of a property in the year. Based on an internal evaluation, an impairment provision of around HK$4.8 million was provided for in 2005 for the properties redevelopment project. Looking ahead, the Board is of the view that property investments will likely become a non-core business of the Group and more emphasis will be placed on the development of the retail and media management business.

Health products segment

The health products segment faced a significant setback in 2005 due to the more stringent measures adopted by the PRC Government in the regulation of advertising materials for health and cosmetics products. As a result of such administrative measures, the health products segment posted a segmental loss of HK$2,611,000 for the current year versus a profit of HK$2,668,000 in 2004. Going forward, in order to streamline our business and achieve more synergies, the Board intends to merge the health products segment with our newly acquired retail and media management segment.

Retail and media management segment

In November 2005, the Group acquired Top Pro Limited, whose main assets is its indirect investment in Shanghai Pei Lian, a company engaging in the sales and distribution of consumer products through television commercials and call centres. As mentioned above, the results from this acquisition for the initial two months (i.e. November and December 2005) were very encouraging. The Group derived an attributable revenue of HK$12,855,000 and segmental result amounting to HK$5,910,000 for the two months ended 31 December 2005. The Board is highly optimistic about the prospects of retail distribution through the television/internet platform and call centres and will actively pursue further opportunities in this area.

By focusing on retail distribution via the television/internet platform and call centres, together with the business connections of the Executive Directors in the PRC, the Board is confident that the Group will return to profitability in the forthcoming year.

The Board owes its gratitude to the Group's bankers, creditors, management and staff for their continuing support and look forward to working together in the years ahead.

On behalf of the Board
Ni Xinguang
Chairman

Hong Kong SAR, 26 April 2006