

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the year, the Group was principally engaged in property development and, through Sino-i Technology Limited ("Sino-i"), engaged in corporate IT application services, financial information services, distance learning and application services. As of 31 December 2005, the turnover of the Group was HK\$154.8 million (2004: HK\$1.2 million) and net profit was HK\$56.0 million (2004 restated: HK\$3.0 million). The net assets value of the Group amounted to HK\$4,870.2 million (2004 restated: HK\$2,422.4 million), representing a value of HK\$0.071 per share.

On 30 August 2005, the Group completed its corporate restructuring with its original controlling shareholder Sino-i. Upon completion of the restructuring, the Company has become the holding company, and Sino-i has become a subsidiary of the Company. As a result, the Group reflects a 4-month revenue and profit contribution from Sino-i.

Property Development

During the period under review, there was no revenue or profit contribution from this business division.



In 2005, the main structural work for the Company's Shenzhen property project "The Peninsula" Phase I was completed. The project was launched for sale in February 2006 with its 1,012 units sold out in five days at an average price of about RMB11,500 per sq.m. The total sales proceeds were about RMB1.5 billion. The gain on "The Peninsula" Phase I will be reflected in the 2006 financial result.

There are 5 phases for The Peninsula project. The Group is now conducting the final stage planning for "The Peninsula" Phase II. A total floor area of 220,000 square meters will be developed, and its construction will roll out in full scale in mid-2006. "The Peninsula" project is expected to continue generate stable and strong cashflow for the Group in the coming years.

In addition to The Peninsula, the Guangzhou project will be a mega sized international contemporary commercial and residential community integrating cultural recreations and commercial amenities, and having a total floor area of approximately 1,000,000 square meters. The Company is reviewing its overall plan and first phase design. It is expected that the construction for the first phase will be carried out in full scale in the second half of 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate IT Application Services

During the year, this business segment continues to post strong performance. Turnover was HK\$128.9 million (2004: N/A), and a segment profit of approximately HK\$55.8 million (2004: N/A).

In 2005, the Company implemented group integration with this business area, and obtained positive results. During the year, the Company consolidated its 3 subsidiaries in this business area with CE Dongli Technology Group Company Limited (“CE Dongli”) as the flagship and, among others, 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) (“Xinnet”) and 廣州漢鑫商務科技有限公司 (Easy-Trade Technology Services Limited) (“Easy-Trade”) as its group members. The group of companies underwent a deep integration in various aspects including strategy, marketing, product R&D and operation, thus substantially increased efficiency in resources sharing, save in operating cost, strengthened collaboration and cooperation among group companies, and enhanced operating efficiency.



Financial Information Services

During the year, this division of business recorded a turnover of HK\$5.5 million (2004: N/A), and a segment loss of approximately HK\$6.6 million (2004: N/A).



In 2005, the Company, through 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) (“Shihua”), continued to focus on provision of professional financial information service. Through standardized information exchange, professional contents and analysis, real-time information delivery, Shihua has contributed significantly to the standardization of Chinese information market and advancement of information industry standards.

Shihua continued to develop products with more thorough professional information and analysis contents, advanced technology and a new platform. It entered into the area of securities and different industries and launched a series of industry specific information products designated for raw material suppliers, manufacturers and spot traders. In order to make the products more suitable for various industry professionals, Shihua has designed various industry-specific end products, network products and services that focused on several industries which have a great influence on national economy based on international industry system classification. Meanwhile, Shihua has also provided training to non-professional investors, such as mock trading system and teaching materials to colleges and universities students with an aim to train up future professional investors.

MANAGEMENT DISCUSSION AND ANALYSIS

Distance Learning and Application Services

During the year, this division of business recorded a turnover of HK\$15.9 million (2004: N/A), and a segment profit of approximately HK\$10.4 million (2004: N/A).



Despite the decline in business performance in 2005, 北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited) ("Beijing Chinese Dadi") has achieved periodic development results. Beijing Chinese Dadi has established broad cooperative relationship with more than 20 authoritative provincial and municipal educational institutions in the areas of recruitment and examination across China, and has established cooperation relationship with various portal in the PRC like Sina.com, Sohu.com, netEase.com and Tencent. It has also set up offices in six major cities in China to support sales and services more efficiently.

As a pioneer for local distance learning, the registered users of Beijing Chinese Dadi increased significantly during the year, and through enhancement and innovation on technology and contents, students' repeated subscription ratio increased by about 25% compared with last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL



The Group continues to adopt prudent funding and treasury policies. As at 31 December 2005, net assets value of the Group amounted to approximately HK\$3,921.1 million (2004: HK\$2,422.4 million), including cash and bank balances of approximately HK\$98.1 million (2004: HK\$1.0 million), which was denominated mainly in Renminbi and Hong Kong dollars. As at 31 December 2005, the Group's aggregate borrowings amounted to HK\$930.8 million (2004: HK\$548.8 million), including approximately HK\$608.6 million were bearing interest at fixed rates while approximately HK\$322.2 million were bearing interest at floating rates. The gearing ratio of the Group, measured on the basis of total borrowings as a percentage of total shareholders' equity, increased to 23.7% as of 31 December 2005 from 22.7% as at 31 December 2004. The Group's contingent liabilities at 31 December 2005 were HK\$145.5 million due to the guarantees given in connection with credit facilities.

As at 31 December 2005, property under development and construction in progress with a net book value of approximately HK\$16 million; and land held for development with land lot no. K708-5 at Liu Wan, Shekou, China was pledged as collateral for credit facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

As the majority of the Group's borrowings and transactions are denominated in Hong Kong dollars, US dollars and Renminbi, the Group's exposure to exchange rate fluctuations is relatively insignificant. In general, the Group mainly utilizes its Renminbi income receipt for operating expenditures in China and has not used any financial instruments for hedging Renminbi bank borrowings during the year and such borrowings were mainly used for Renminbi capital requirements in China.

EMPLOYEE

The Group employs and remunerates its staff based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include contributions to mandatory provident fund, group medical insurance, group personal accident insurance, external training sponsorship and examination leave. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the board of directors. In general, salary review is conducted annually. At 31 December 2005, the Group had approximately 6,603 employees (2004: 38 employees). The salaries and allowance of employees for the year ended 31 December 2005 was about HK\$58 million (2004: HK\$6 million).

PROSPECT

Property Business

The Company considered that the State regulatory policies has changed from speculation control and ensuring price stability to encouraging domestic consumption and housing consumption, and that demand for mid-level and luxury housing will continue to grow. A steady economic growth, continuous increase in people's income level, upswing expectations of urban residences to improve housing condition as well as continual accelerating of the rural urbanization process, overall property market in China is expected to maintain a rapid growth rate in the near future.



In addition, as the land and property policies in China become more mature, it will also provide a healthy and stable growth for real estate companies. As "The Peninsula" Phase I project in Shenzhen was developed successfully with all units of 1,012 sold out within five days, the Company has great confidence in its property business for the next few years, and the Company will continue to increase investment in this business area.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate IT Application Services



As to corporate IT application services, the Company will continue to leverage on the advantages of the integrated CE Dongli Group to explore room for more synergies between CE Dongli, Xinnet and Easy-Trade. Through mutual support in the areas of technology and management, the Company will develop more strategic alliances, extend product lines, expand business network, develop series of industry specific solutions, introduce more value-added services, jointly explore IT service market of enterprises in commercial trading field, and launch a B2B e-commerce portal, so as to strengthen the Company's market leading position.

Financial Information Services

Shihua will continue to develop a comprehensive financial information platform, enhance the level of interactivity, and leverage on existing resources to extend and develop multi-media contents. Meanwhile, the technical capacities of Shihua will also follow the trend of updated international R&D direction and adopt CORBA development technology with cross-platform, cross-language, program efficiency, high reliability and strong expansibility, so as to provide a multi-media technology platform based on LINUX. This system not only can help to facilitate implementation of a fast expansion in product series of Shihua but also it guarantees low cost, high reliability, high security and high performance of products, and this provides first class customer service. In the coming year, Shihua will continue to strategically cooperate with well-known international financial information providers and research institutions on specific fields, and will continue to develop financial information service under the backdrop that the government strives to enhance efficiency of the financial market, aiming to provide important impetus to a healthy and orderly development of the information market in China.

MANAGEMENT DISCUSSION AND ANALYSIS



Distance Learning and Application Services

Beijing Chinese Dadi shall continue to invest and utilize latest available technologies to establish the most advanced distance learning service platform with an aim to develop higher quality educational products and services to cope with the increasing market demand. Further expansion of its operation network is also on the agenda in a move to further strengthen its market leading position in the industry.

The Group will continue to focus on the China property market and through Sino-i, to further expand its IT application services, financial information services and online education business. The Group will leverage on its well established market position of its subsidiaries in different industries to continue to strengthening and expanding our leadership position with an aim to maximize investment return for our shareholders.