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For the year ended 31 December 2005, the Group recorded a 1.3% slight decrease in turnover to HK$865.6 million as compared to HK$876.9 million for the previous year. The drop in sales was mainly attributable to the closure of 8 non-performing stores during the year under review, thus reducing the number of stores to 30 at the end of 2005. The closure of the non-performing stores has enabled the Group to redefine its network strategy amid the Group's already thin operating margin being eroded by the recent rampant rises in rental costs. During the year, the Group reviewed and refined our product ranges within each product category. After removing non-performing product categories from a clearance sale during the year, the Group focused on choosing quality products with a view to helping our customers keep their houses and living environments "neat and clean". Rationalisation of our retail network and product ranges had however adversely affected the profit margin of our household and furniture products for the year under review, we however think that this would improve our operating efficiency and sharpen our competitive advantages in the retail market in the long run.

3C Digital, our new chain stores selling trendy digital products, was still operating at a thin gross profit margin and remained short of practical breakeven during the year under review. As at the end of the year, there were a total of six 3C Digital outlets. By providing our customers with branded products of high quality at competitive prices and distinguished customer service, the brand name of 3C Digital has gradually been recognised in the local market. 3C Digital had been appointed as one of the two distributors for some digital products and electrical appliances of a leading brand in the local market. With gradual improvement in profit margin and a well-perceived brand name of 3C Digital, we believe that 3C Digital will start its positive contribution to the Group in the coming year. Developing our retail business into the Mainland market has been our Group's long-term expansion strategy. During the year, the Group completed the acquisition of 東方銀座商業（北京）有限公司 (with English name "Oriental Kenzo (Beijing) Company Limited") ("東方銀座") with its principal business of operating a department store in Beijing. To enable to concentrate our resources on the newly acquired business, the Group had decided to close down all its retail outlets in Guangzhou and Shenzhen. The Group's initial investment in 3C Digital and in our new retail chain stores named "LifeZtore" opened in the second half of 2005 retailing stylish furniture and household products together with the provisions made for the closure of non-performing stores in Hong Kong, Guangzhou and Shenzhen had mainly accounted for the Group's reported loss of HK$76.6 million for the whole year.

Taking into account the reported loss for the year and 406 million new shares and around 19.8 million share options respectively issued to new investors and staffs which had in total raised gross proceeds of approximately HK$141.4 million during the year, our Group's total equity stood at HK$240.7 million on 31 December 2005. Our cash and bank balances were HK$145.5 million at the year end, a reduction of HK$53.7 million compared with the prior year end. The decrease in the cash and bank balances was due to the additional investment in the 3C Digital and LifeZtore chain stores during the year. Our liquidity ratio remained healthy at 1.7 times at the year end as compared with 1.2 times at the previous year end.

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Our total bank borrowings on 31 December 2005 were HK$86.1 million as compared to HK$78.4 million on 31 December 2004. The slight increase in bank borrowings was largely due to consolidating the bank borrowings of the newly acquired department store business in Beijing in late 2005. All of our bank borrowings are either in HK dollar, US dollar and RMB, with the interest rates priced at close to banks' funding costs. Therefore, our exposure to both foreign currency and interest rate fluctuation was insignificant. We have sufficient banking facilities for its operations even at the peak seasons for the whole year. On 31 December 2005, the Group was holding a portfolio of listed investment with market value of approximately HK$4.1 million and a profit on investment of HK$2.2 million was recorded for the year.

The Group issued a convertible loan note for HK$108 million in August and a convertible loan note for HK$180 million in December during the year. Together with the two convertible loan notes, the ratio of total interest bearing borrowings to total equity was 142.6% on 31 December 2005 as compared to 54.5% on 31 December 2004.

As at 31 December 2005, our building at their market value of approximately HK$31.0 million and bank deposits of HK$38.9 million were pledged to secure bank term loan and general banking facilities granted to a subsidiary. Save as aforesaid, we have no other material contingent liabilities at the year end.

In March 2005, the Company announced a new share issue of 83 million new shares at the subscription price of HK$0.28 per share to raise a gross proceed of HK$23.2 million for general working capital of the Group. In April 2005, the Company announced a placement of 223 million new shares at a placing price of HK$0.30 per share to raise a gross proceed of HK$66.9 million for expansion of the Group's retail businesses in the PRC and for general working capital of the Group. The subscription issue of 83 million new shares and the placement of 223 million new shares were completed on 6 April 2005 and 19 May 2005 respectively.

In May 2005, the Group announced for proposed cooperation to jointly develop the retail business in the PRC with AustChina Information Technology Pyt Limited and the issue of a convertible loan note for HK$108 million. The convertible loan note was issued on 15 August 2005. However, no investment opportunity or project for retail business in the PRC had been identified and the agreement was expired on 31 October 2005.

In August 2005, the Group announced a major transaction for proposed acquisition of all the issued shares and all the shareholders' loan interest in Timecastle International Limited ("Timecastle") at a consideration of HK$500 million (to be adjusted) ("Acquisition"), the proposed issue of a convertible loan note for HK$180 million and the proposed placing of 100 million new shares of the Company at the placing price of HK$0.45 per share. Timecastle has the ultimate beneficial interest in 東方銀座. These transactions were approved by shareholders at the special general meeting of the Company held on 29 November 2005 and were completed on 30 December 2005. The funds from the convertible loan note and the placing of 100 million new shares were used to settle part of the consideration for the Acquisition. Details of the transactions were set out in the Company's announcement dated 26 August 2005 and circular dated 9 November 2005.

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Subsequent to the balance sheet date in February 2006, the Group announced a very substantial disposal and a connected transaction for proposed disposal of the Hong Kong retailing business to its substantial shareholders at a consideration of the lower of HK$140 million, or the aggregate of the adjusted combined value of the entire interests of the Hong Kong retailing business as at 31 December 2005 and a premium of HK$20 million. The disposal is subject to (inter alia) the approval by shareholders of the Company at a special general meeting of the Company to be convened. Details of the transaction were set out in the Company's announcement dated 21 February 2006.

Save as disclosed above, the Group did not make any material acquisitions or disposals nor did we hold any significant investment during the year ended 31 December 2005. Save as disclosed above, the Group did not have any material capital commitment as at 31 December 2005. We do not have any future plans for material investments or capital assets.