

ANALYSIS OF THE GROUP'S PERFORMANCE

Financial Results

For the year ended 31st December, 2005, the Group's turnover was approximately HK\$2.7 million (2004: HK\$2.7 million), almost the same as last year's turnover. The consolidated loss attributable to shareholders amounted to approximately HK\$10.0 million for the year.

Loss per share was approximately 0.04 cents as compared with profit per share of 0.45 cents for the preceding year.

The Directors do not recommend the payment of final dividend.

Business Review

During the year under review, the Group underwent a period of extreme difficulty both resulting from the external environment and the problems inherited from the previous management.

Messrs. Lai Kar Yan (Derek) and Joseph K.C. Lo, both of Deloitte Touche Tohmatsu, were appointed as joint and several provisional liquidators of The Sun's Group Limited ("Provisional Liquidators") by virtue of an order dated 17th June, 2004 granted by the Court of First Instance of the High Court of Hong Kong ("Court Order").

Prospects

Property management, property investment and development will remain as core business of the Group. The Group is actively pursuing a re-structuring plan with Mastermind Assets Management Limited as an investor and the listing resumption of the shares of the Company.

On 18th April, 2005, schemes of arrangement for the Company and The Sun's Group (HK) Limited (Provisional Liquidators Appointed) ("SGHK"), a wholly owned subsidiary of the Company were duly passed in the meetings of scheme creditors by the majority prescribed by section 166 of the Companies Ordinance, conditionally upon, among other things, the approvals of all relevant transactions for the restructuring by the respective shareholders of the Company and the resumption in trading of the shares of the Company.

On 7th February 2006, the Company obtained an approval from the Listing (Review) Committee to proceed with the listing resumption proposal, subject to certain conditions to be satisfied.

Investment Property

The Group still owns an investment property at a fair value of HK\$1.2 million at 31st December 2005, based on the valuation report performed by Messrs. Memfus Wong Surveyors Limited.

Material Acquisition or disposal of Subsidiaries and Affiliated Companies

On 21st May, 2005, a subsidiary of the Group entered into a sale and purchase agreement to acquire a company incorporated in Hong Kong at the consideration of HK\$77,010,000. The company owns an investment property in Hong Kong with book value of approximately HK\$74,789,000 at 31st December, 2005. As at 31st December 2005, the acquisition has not yet been completed.

The Group has no other significant material acquisitions or disposal of subsidiaries and affiliated companies during the year under review.

Management Discussion and Analysis

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

Most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars. As a result, there was no exchange rate risks of the Group during the year ended 31st December, 2005.

Liquidity, Financial Resources and Funding

Bank balances and cash as at 31st December, 2005 was approximately HK\$3.5 million.

Contingent Liabilities and Employees

There is no significant contingent liability as at 31st December, 2005 except for those already disclosed in the financial statements.

As at 31st December, 2005, the total number of employees of the Group was approximately 23. The Group continues to reward its staff with a reasonable remuneration package which includes medical insurance, retirement benefit and etc.

REVIEW BY THE AUDIT COMMITTEE

Due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, up to the date of this report the Company is unable to appoint three Independent Non-Executive Directors as required by Rule 3.19 and Rule 3.21 of the Listing Rules. However, the audited accounts of the Group for the year ended 31st December, 2005 have been reviewed by the two Executive Directors namely Mr. Pang Ho Chuen, Lawrence and Chan Wai Hung.