

Managing Director and CEO's Report

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Financial Review

The Group completed its transformation into an investment holding business during the year ended 31 March 2006, recording a turnover from continuing operations of HK\$24.1 million, representing an increase of 28.1% from HK\$18.8 million in 2005. The Group registered an operating loss of HK\$12.6 million while there was an operating profit of HK\$39.9 million in 2005.

The loss attributable to shareholders for the fiscal year 2006 amounted to HK\$1.4 million as compared to the profit attributable to shareholders of HK\$9.1 million in 2005.

The continuing operations are property investment business and the newly commenced aircraft charter and management business. Benefited from the continued recovery of the regional economy, the demand for office and retail space increased and the Group's revenue from its investment properties improved slightly. However, the initial set up costs incurred in the newly established aircraft charter and management business offset the gains and resulted in an overall operating loss.





Technology related services of the Group were disposed of in October 2005. The results of discontinued operations in this report included the operating results of technology related services up to the date of the disposal and the gain on the disposal of this business segment.

Business Review

Through a series of restructuring, the Group has in the past year transformed itself into an investment holding company with a focus in, but not limited to, property investment and private jet services. Private jet services will include aircraft charter and management business. Geographically, the Group has over the years built its reputation and brand in Mainland China. Leveraged on its strong presence, the Group proactively explored investment opportunities in the Mainland market.

In the property sector, as at the end of the fiscal year 2006, the Group continued to own the basement and ground floors of Bank of America Tower in Central, Hong Kong. The property had a rentable area of approximately 43,900 square feet and an average occupancy of 85%. For the period under review, the property generated an income of HK\$19.5 million to the Group.

In November 2005, the Group contracted to purchase two aircrafts and started the investment into the private jet services business. The Group held the view that the robust economic growth of the PRC, together with the increasing business travels to the PRC from Hong Kong and other countries as a result of the Closer Economic Partnership Arrangement (CEPA) and the frequent trade and civil exchange between the PRC and the rest of the world, would contribute to the increasing demand for air transportation to destinations in the PRC. Existing mass air transportation services would soon be rendered inadequate to serve the need, especially for more personalised services and to secondary cities in the PRC. Private jet services proved to be a lucrative business in developed countries such as the United States. The Group thus decided to make an early move to tap into the relatively under-penetrated market to provide private jet services in the PRC.

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The Group received the G200 Aircraft in February 2006 and immediately bought it into business. Total revenue generated by the private jet services amounted to HK\$4.6 million. Although the business is in the start-up stage, the Group is optimistic about its potential and believes that the operations will broaden the revenue base of the Group in the long run.

Outlook

The Group will continue to develop its property investment and private jet services in the coming year while proactively looking into other businesses with good prospects.

Taking into account the upward property market trend and demand in Hong Kong, the Group foresees a positive growth opportunity in the commercial rental market.

According to the National Bureau of Statistics of the PRC, the GDP of the PRC has been increasing at a compound annual growth rate of over 9%. Together with the flourishing trade and tourist activities, the Group expects the demand for office and retail units to increase. The renewed austerity measures announced by the PRC authorities not long ago are expected to effectively regulate the first-tier property markets and transfer the momentum to the second tier cities. Moreover, it is believed the Federal Reserve of the US is not likely increase the interest rate again in the near future. These factors will all fuel the development of the property market. The Group will seek investment opportunities in secondary cities in the PRC to broaden its property portfolio.

As for the private jet services, the Group expects the demand for private jet services to continue to grow as air passengers, being primarily executives of multinational corporations, wealthy businessmen and high net worth people who have a demand for more flexible flight times, shorter waiting time for flights and air checking, better catering services, as well as better protection of privacy, will not mind paying a slightly higher fare for better flying quality and services. The Group believes that the growth strategy for the business will be to seek strategic partners and investors. Thus, after the balance sheet date, the Group further strengthened the private jet business by disposing of 59.9% interest in BAA Jet Management Limited to a strategic investor. Furthermore, the Group entered into a joint venture agreement with independent third parties to establish a sino-foreign joint venture in PRC. The Group will own 49% beneficial interest in this joint venture and the joint venture will be principally engaged in the provision of aircraft charter and management services. The details of these transactions were announced by the Company on 4 July 2006 and 6 July 2006 respectively.

As an investment holding company, the Group will also look into other areas should opportunities arises, so as to broaden its revenue base. Technology is one area the Group may consider, as it has been exploring the sector since its inception. It not only has the expertise and technology know-how, but also a track record in developing technology business in the PRC market. Leveraging on its network and experience in the PRC market, the Group will also consider exploring other sectors, such as natural resources, as it sees appropriate. The Group will inform the shareholders and the market in due course for its new developments.

In the past year, after careful consideration of the changing market landscape and arising opportunities, the Group has made decisive steps to enter into business areas with promising prospects. In the future, as always, it will be the Group's commitment and top priority to create value for its shareholders.

Yvette Ong

Managing Director and CEO