

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the six months period ended 30 June 2006, the Group's turnover and net loss were approximately HK\$11 million (2005: HK\$16.48 million) and HK\$32.29 million (2005: HK\$14.69 million). The turnover of the Group was substantially decreased by approximately 33.3% as compared to the corresponding period of last year and this decrease was mainly due to the kin market competition.

The Group continued to focus on the existing business CARPET MANUFACTURING AND DISTRIBUTION to take productive approach to review and strengthen for its future growth and improve profitability. In addition, the Group is looking into the opportunity of LOGISTIC business as well as exploring more investment opportunities that offer sustainable growth advantages.

Carpet Manufacturing and Distribution

For the six months period ended 30 June 2006, the Group's turnover was HK\$11.00 million, compared with approximately HK\$16.48 million for the same period last year, a decrease of about 33.3% and the loss of the segment is HK\$17.4 million as compared with HK\$8.94 million for the same period last year, an increase of about 95% due to provision of additional VAT and penalties of the amount HK\$8,594,660 (RMB8,938,446) for previous year from 1998 to 2003 was taken into account.

For the first half of 2006, the Group continues to engage in the manufacturing and distribution of carpets. During the Period, although the Group benefited from the revival of the construction and property development markets in Hong Kong and Macau's booming casino and resort markets, and the continued growth in the same sector in PRC, the Group still recorded a net loss of its business due to the intensive competition of the carpet industry. Furthermore, the prices of raw material increased in tandem with the increase in crude oil prices globally and these additional costs could not be fully passed on to end customers due to the very keen pricing competition in the markets the Group operates in.

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The Group will enhance product development and technology innovation and raising product value with the aim of increasing the profit margin of products and exercised tight control of incremental selling expenses. Moreover, the Group will try to reduce the effect brought by the floatation of oil price by reinforcing procurement management.

Logistic and Financial Management System

Since the joint venture company to be established by China National Materials Storage and Transportation Guangzhou Corp. and the Company still in being incorporated, the acquisition is expected to be completed by the end of this year.

Upon completion, the Company will make every endeavour to manage the operation of the Logistic and Financial Management System and believes the acquisition will diversify the business to other high value added business. The system reduce the lead time and costs involved in the sale and trading business in the areas of storage, transport, distribution, import and export. The Company is cautiously optimistic of the potential of the logistics software market in the PRC, and that this acquisition, whilst complementary, will also help the Group diversify its sources of revenue.

According to the Company's announcement on 28 February 2006, the Company entered into the non-legally binding agreement with Liaoning Hengrong Medium and Small-sized Enterprises Investment Guarantee Company Limited ("Liaoning Hengrong") and Xiuyan Manzu Zizhixian Yefeng Marble Mine pursuant to which the parties have agreed, in principle, to the acquisition of 70% of the registered capital of Liaoning Hengrong by a wholly-owned subsidiary of the Company, Aurora Logistic Capital Assurance Limited, at a consideration of RMB70 million (approximately HK\$67.3 million), within 12 months from the dated of the Agreement (i.e. 24 February 2006). Currently, the Group is still in negotiation over the non-legally binding Agreement with the two parties. Since the logistic banking business is developing the PRC, the Board is of the view that it is a good opportunity to diversify its business in the Pearl River Delta Region of the Guangdong Province of the PRC.

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The Company has changed its name to Aurora Global Investment Holdings Limited so as to better reflect the diversification of the Group's operations. Also, the Board has confidence that the logistic system which can generate long-term and sustainable revenue for the Company and will bring a promising future to us.

Liquidity and financial resources

Based on the unaudited consolidated account for the six months ended 30 June 2006, the Group's total current assets were HK\$23.1 million and its total current liabilities were HK\$39.9 million. As at 30 June 2006, the Group cash and bank balances were amounted to HK\$4.6 million (31 December 2005: HK\$7 million). The Group recorded the net current liabilities were HK\$16.8 million, the Board will take further actions to strengthen up the financial position and working capital.

Current and gearing ratio

As at 30 June 2006, the Group had total assets of HK\$103.4 million (31 December 2005: HK\$110.6 million), total liabilities of HK\$42.0 million (31 December 2005: HK\$24.71 million), indicating a gearing ratio 0.41 (31 December 2005: 0.23) on the basis of total liabilities over total assets. The current ratio of the Group for the Period was 0.58 (31 December 2005: 1.23).

Subscription of convertible note pursuant to Subscription Agreement dated 30 May 2006

On 30 May 2006, the Company entered into a Subscription Agreement with GP Capital Limited (the "Subscriber"), an independent third party, to issue 16 Convertible Notes in an aggregate principal amount of HK\$40,000,000 to the Subscriber. However, as the Subscriber had not yet paid the subscription monies in accordance with the terms of the Subscription Agreement, the termination of the Subscription Agreement has been approved by the Board on 27 September, 2006. The Company is currently seeking legal advices to the recourse and action it should take against the Subscriber. An amount of HK\$5,000,000 paid by the Subscriber as deposit is held by the Company (Please also refer the Company's announcement dated 27 September 2006).

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Number and remuneration of employees

The Group total number of employees was approximately 140 employees (2005: 140) in Hong Kong and PRC for the period ended 30 June 2006. The Group recognized the importance of maintaining good working relationships with its employees and accordingly, strives to maintain remunerations at competitive levels and in line with industrial practice.

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to an ordinary resolution passed by the shareholders of the Company on 6 June 2002. The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contributions to the Group and to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group. The Company has granted 46,200,000 share options during the Period.

Foreign currency exposure

The Group did not have any significant exposure to and did not hedge against risks associated with foreign currency fluctuation.

Contingent liabilities

As at 30 June 2006, the Group did not have any significant contingent liabilities except as described below:

A wholly-owned subsidiary of the Company, namely 惠陽協凱晟地毯有限公司(now known as 惠州市東方地毯生產有限公司) transliterated as Hui Zhou Orient Carpet Manufacturing Co., Ltd. ("HZOCM") has been made defendant of proceeding in the PRC. The proceedings were brought by 深圳華興建設有限公司 against HZOCM at the People's Court of the Hui Yang District, Hui Zhou City, Guangdong Province in respect of installation cost due and interest payable. The amount claimed under this set of proceedings was HK\$1,461,000 (RMB1,520,000) and interest payable of HK\$2,137,000 (RMB2,223,000). HK\$1,461,000 was provided in the Group's financial statements. The proceedings were adjourned for hearing on a day to be fixed in due course.

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Directors' Interests and Short Positions in the Securities of the Company and its Associated Corporations

As at 30 June 2006, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Long Positions in Ordinary Shares of the Company

Name of Director	Nature of interests	Number of shares held	Approximate percentage of shareholding
Mr. Tsao Ke Wen, Calvin (Note 1)	Corporate	279,852,000	53.28%
Mr. Lam Shu Chung (Note 2)	Corporate	44,638,750	8.50%
Dr. Ma Chung Wo, Cameron	Personal	11,752,000	2.24%
Mr. So Chi Keung	Personal	700,000	0.13%

Notes:

- L & L Holdings Limited ("L & L") owned ordinary shares of the Company. This company is incorporated in the Republic of the Marshall Islands. The entire issued share capital of L & L is wholly and beneficially owned by Mr. Tsao Ke Wen, Calvin. 250,000,000 of 279,852,000 shares had been pledged to Kingston Finance Limited on 30 August 2005.
- Prime Orient International Limited ("Prime Orient") owned ordinary shares of the Company. This company is incorporated in the British Virgin Islands. The entire issued share capital of Prime Orient is wholly and beneficially owned by Mr. Lam Shu Chung.

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Save as disclosed above, as at 30 June 2006, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; and apart from as disclosed under headings "Share Option Scheme" in note 13 of the condensed financial statements, at no time during the six months ended 30 June 2006 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses, or children under the age of 18, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30 June 2006, the following corporations had interests (as defined in the SFO) in the Company set opposite its respective name:

Name	Number of shares held	Approximate percentage of shareholding
L & L (Note 1)	279,852,000	53.28%
Mr. Tsao Ke Wen, Calvin (Note 1)	279,852,000	53.28%
Prime Orient (Note 1)	44,638,750	8.50%
Mr. Lam Shu Chung (Note 1)	44,638,750	8.50%
Ms. Choi Hing Lin, Lori (Note 2)	44,638,750	8.50%

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Notes:

1. The shareholding are duplicated in the disclosure in the “Directors’ Interests and short positions in the securities of the company and its associated corporations” section above.
2. Ms. Choi Hing Lin, Lori is the wife of Mr. Lam Shu Chung is deemed to be interested in shares which Mr. Lam Shu Chung is interested under the provisions of Divisions 2 and 3 of Part XV of the SFO.

All the interests stated above represent long positions in the ordinary shares of the Company. As at 30 June 2006, no short positions were recorded in the register maintained by the Company under section 336 of the SFO.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the Period.

Remuneration Committee

The Remuneration Committee, established in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, comprises the three independent non-executive directors of the Company and the Chairman of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and senior management of the Company and making recommendations to the board of directors from time to time.

Nomination Committee

The Nomination Committee, established in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, comprises the three independent non-executive directors of the Company and the Chairman of the Company, is responsible for making recommendations to the Board on the appointment of Directors and management of the Board succession.

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Audit Committee

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2006. The Audit Committee comprises the three independent non-executive Directors of the Company.

Compliance With Code on Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. Throughout the six months ended 30 June 2006, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for the deviations in respect of the rotation of Directors under code provision A.4.2 of Appendix 14 of the Listing Rules.

Under code provision A.4.2 of Appendix 14 of the Listing Rules, all Directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to article 108 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. As there are nine directors, and one-third of them shall retire subject to rotation, and barring unforeseen resignation/retirement during a year, each Director is effectively appointed under an average term of 3



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years. Any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election.

In order to bring the Bye-laws of the Company in alignment with the provisions of the Code on Corporate Governance Practices, certain amendments to the Bye-laws will be proposed by the Board for approval by shareholders of the Company at the forthcoming general meeting.

Compliance With Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2006.

By Order of the Board

Pang Man Kin Nixon

Chairman

Hong Kong, 27 September 2006

As at the date of this report, the executive Directors are Mr Pang Man Kin Nixon, Mr Tsao Ke Wen Calvin, Mr Lam Shu Chung, Mr Law Fei Shing and Mr So Chi Keung; the non-executive Director is Dr Ma Chung Wo Cameron and the independent non-executive Directors are Mr Poon Chiu, Mr Lum Pak Sum and Mr Li Chak Hung.