

Chairman's Statement

BUSINESS REVIEW

The turnover of the Group for the year ended 30th June, 2006 experienced a mild increase of HK\$1.21 million to HK\$30.46 million, and yet I am delighted to see the loss of the Group reduced remarkably by almost 72% from HK\$48.71 million in last year to HK\$13.80 million in current year. Decreases in both gross loss and unrealized holding loss on short-term shares investments, together with no more allowance for short-term loans receivable were the main contributors for such dramatic reduction in loss of the Group for the year under review.

As a matter of fact, the Group's losses have been uninterruptedly decreasing for the last three consecutive financial years since the new management stepped in after the takeover in late 2003. Undoubtedly, the on-going process of business rationalization of the Group in the past years gradually gained momentum and benefited the healthy growth of the Group.

The year under review was another challenging year to the management who witnessed new and healthy business developments of the Group.

Fine tuning in the operation strategies in investment and financial services led to a more balanced investment portfolio with primarily blue-chip listed shares investments, and stringent credit evaluation policies shielded our money lending business from the financial risks for the year under review.

Our distribution and trading arm expanded during the year. Lubricant oil additives introduced from America last year have been well received and the business in local market continued to flourish. Automobile owners and drivers were our primary focus and additives products were sold through various automobile spare-parts shops, and motor car repair and maintenance centres.

The Group further expanded the distribution and trading business in February 2006 by teaming up with a spin-off company from the Chinese University of Hong Kong to exclusively distribute its renowned supply chain management system software tailored-made for established knitting manufacturers which rely heavily on effective logistic system management. The exclusive distribution rights granted to the Group cover Mainland China, Hong Kong and Macau.

In May 2006, the Group further diversified its distribution and trading business by selling children's playground equipment, recycled rubber tiles and related accessories. The Group in September 2006 teamed up with an international children play equipment design and manufacturing company in Denmark to act as its exclusive agent in Hong Kong and Macau.

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OUTLOOK

The new business developments successfully made during the year under review will definitely help diversifying the Group's sources of revenue and laying a solid foundation for future earnings in the years to come.

Our target customers of lubricant oil additives will be extended to those industrial and corporate clients with bulk and repeated orders. Apart from the flagship product "MT-10 Metal Treatment", other quality lubricating products will be introduced from America phase by phase with the support of our American principal supplier. Our Guangzhou trading entity has been successfully established in October 2006 and will shortly become fully operational to serve the target corporate customers in the Mainland China.

By working closely with the spin-off company from the Chinese University of Hong Kong which designed and produced the supply chain management system software for knitters, the Group will focus more on brand-building and product-awareness of the software by conducting seminars and taking part in exhibitions. Given the highly competitive and dynamic natures of the knitting industry, there will be demands for renowned supply chain management system software which is one of the keys to success to most established knitting manufacturers.

The prospects of distribution of children's playground equipment and recycled rubber tiles look quite promising, since most land developers and kindergartens nowadays are willing to invest in children playground facilities to attract potential customers. Besides, the existing playground facilities, owned either by the Government or by the private sector, need periodic refurbishment every several years, which create a rather stable demand for children's playground equipment and recycled rubber tiles.

The Group will continue to concentrate on its core businesses of investment and financial services, and distribution and trading. However, when suitable business opportunities on other core business segments arise, the Group may consider re-activating these other core segments, having made cautious and comprehensive evaluations.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our valued customers, suppliers and business associates for their invaluable contributions and support. I also want to express my gratitude to our management team and all staff of the Group for their dedication and hard work during the year. Last but not least, I am most grateful to our shareholders for their continuous support and confidence.

Wong Wing Cheong

Chairman

Hong Kong, 19th October, 2006