

FINANCIAL REVIEW

Financial Results

The Group reported a turnover of HK\$48,944,177 and net profit attributable to equity holders of the Company of HK\$11,408,413 during the year ended 30 June 2006 (2005: loss of HK\$9,522,352). The profit was mainly attributable to the improvement of the general economy and investment environment.

The net asset value (“NAV”) per share of the Company was HK\$0.689 as at 30 June 2006.

Liquidity and Financial Resources

The Group continued to maintain a healthy balance sheet as at 30 June 2006. In last year, the Group obtained a long term loan from a related company, in which an executive director of the Company has beneficial interest, at approximately HK\$6 million which is repayable in 2007. The Group’s bank balances and cash amounted to HK\$5,116,343 (2005: HK\$3,314,730) which accounted for 6.96% (2005: 10.16%) of the Group’s total current assets. The Board believes that the Group has sufficient resources to satisfy its working capital requirements.

Capital Structure

The Group has made two placements of shares during the year, 10,500,000 and 17,300,000 shares were allotted at HK\$0.70 each and HK\$0.75 each on 12 January 2006 and 27 March 2006 respectively. There has been no change in capital structure of the Company since 27 March 2006.

Capital Commitment and Contingent Liabilities

As at 30 June 2006, the Group had no material capital commitment and contingent liabilities.

Foreign Currency Fluctuation

The Group has a number of investment projects in the PRC and may be subjected to a certain degree of investment return risk. In spite of this, the Board believes that foreign exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

Human Resources

As at 30 June 2006, the Group had 5 employees excluding directors. Total staff costs excluding directors’ remuneration amounted to HK\$639,754 (2005: HK\$974,830). They perform clerical, research, business development and administrative functions for the Group. The Group’s policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

Significant Acquisition and Disposal of Subsidiaries

During the year under review, the Group has not made any significant acquisition or disposal of subsidiaries.

Charge of Assets

As at 30 June 2006, investments in listed securities in Hong Kong at carrying value of Nil (2005: HK\$134,400) were charged to secure for securities margin credit facility granted by a broker to the Group.