

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 September 2006 (the "Current Period"), the Group incurred a loss before tax and minority interests of approximately HK\$1,398,000 compared with a loss of approximately HK\$13,151,000 for the same period last year. Net loss attributable to shareholders for the Current Period reduced to HK\$369,000 compared with a net loss of approximately HK\$13,154,000 for the same period last year. As compared to the corresponding period in last year, the significant improvement was due to the following changes:-

- (i) There was an improvement in the gross profit in respect of IT for the Current Period;
- (ii) there was substantial reduction in the administrative and operating expenses;
- (iii) fair value of the financial assets, mainly trading securities improved to a profit of \$291,000 as compared to a loss of \$7,266,000;
- (iv) share of the result of an associate reversed to a profit of \$1,232,000 in the Current Period from a loss of \$909,000 incurred in the last comparable period; and
- (v) financial costs incurred also improved substantially to \$1,000 as compared to \$302,000 in last corresponding period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Current Period (2005: Nil).

REVIEW OF OPERATIONS

The principal activities of the Group continue to be securities investments and provision of IT. During the Current Period, the increase in turnover was mainly attributed to the increased contribution from the provision of IT.

Operating expenses had been well contained and substantially reduced, while finance cost decreased as a result of the reduction in borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

Property Investment

The sale and purchase agreement entered on 24 September 2004, by a wholly owned subsidiary of the Group to acquire the entire issued share capital of a company which major asset is a piece of land in Hong Kong at a consideration of US\$2,700,000 (equivalent to HK\$21,060,000) was terminated as there were certain conditions unsatisfied. A full refund of the amount paid together with interest was received during the Current Period.

The Group presently holds through a subsidiary 7% interest in a piece of land in Au Tau Yuen Long at a cost of HK\$14,000,000 purchased in December 2003.

Securities Investment

During the Current Period, the change in fair value of financial assets through profit or loss was mainly attributable to an unrealized gain for the amount of approximately HK\$291,000 to reflect the fair value of the securities as at 30 September, 2006, as compared to an unrealized loss of \$7,266,000 in the last corresponding period.

Provision of IT

Given the huge potentials in the China and overseas market, provision of IT is expected to be a strong and major engine of revenue growth for the Group and produced improved results for the Current Period, contributed turnover of the Group amounted to approximately HK\$2,149,000, an increase of 57% compared with the turnover of approximately HK\$1,365,000 for the same period last year.

The IT has embarked on an expansion plan with an aim to build full range of IT in the China market in the past two years and the intention was to step up its marketing campaign through exhibitions and promotional events in the next few years; this has generated positive responses from its customers. Existing distribution channels are being expanded and enhanced due to positive demand and requests from potential customers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has continued to adopt prudent financial policies. The Group's current assets and current liabilities as at 30 September 2006 were HK\$35,353,000 and HK\$5,162,000 respectively (31 March 2006: HK\$40,778,000 and HK\$4,924,000 respectively). As at 30 September 2006, the Group had bank balances and cash of approximately HK\$24,308,000 (31 March 2006: HK\$13,144,000), and nil borrowings (31 March 2006: Nil). As at 30 September 2006, the Group's gearing ratio, calculated on the basis of borrowing to shareholders' equity was nil (31 March 2006: Nil).

As at 30 September 2006, there was no charge on the assets of the Group.

The Group has limited exposure to the foreign exchange fluctuations risks as most of its revenue are denominated in Hong Kong dollars and Renminbi, being the same currencies in which the Group's costs and expenses are denominated. The Directors considered that the recent appreciation of Renminbi may have positive but immaterial impact to the Group. During the Current Period, the Group did not use any financial instruments for hedging purposes and there was no hedging instrument outstanding as at 30 September, 2006.

During the Current Period, there was no change to the share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

CONTINGENT LIABILITIES

Save as disclosed in the annual report for the year ended 31 March 2006, the Group has no contingent liabilities outstanding as at 30 September 2006.

CAPITAL COMMITMENT

The Group has no capital commitments outstanding as at 30 September 2006.

FUTURE PROSPECTS

With a view to strengthen the growth and profitability potentials, the Directors have been proactively identifying suitable investment opportunities to expand the Group's investments in Hong Kong and elsewhere, and at the same time to attract more investment funds as the Company goes along. An open offer has just been completed and as a result of the under-subscription of the offer by public shareholders, the underwriter, Giant Sino Group Ltd. took up about 53.75% stake in the enlarged issued share capital of 1,596,300,000 shares and became the largest single majority shareholder. A general offer is being made to the minority shareholders, the deadline of which will be on 27 December, 2006. Given the prospects of local economy and capital market, and the investment opportunities in Hong Kong and elsewhere, the management feels optimistic on the future prospect of the Group but continually exercises caution when looking for future investments projects which may offer outstanding returns and within the acceptable risk level.

HUMAN RESOURCES

As at 30 September 2006, the Group had 3 executive directors and 3 independent non-executive directors. There were 27 full time employees, 24 of which were working in the PRC and 3 were working in Hong Kong. The Group ensures that the salary levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Subsequent to the period ending date, the Company appointed several board positions including chairman, vice-chairman, a non-executive director and 3 independent non-executive directors as well as new members of the audit committee and remuneration committee to reinforce the management team at the board level and at the same time provide continuity in proper function of the board and the committees. Relevant announcements were made recently in the press and internet for these appointments.

SHARE OPTION SCHEME

On 20 August 2003, the Company adopted a share option scheme ("Share Option Scheme") in accordance with Chapter 17 of the Listing Rules. As at the date of this report, no share options have been offered and/or granted to any participants under the Share Option Scheme.

PURCHASE, REDEMPTION OR SALE OF OWN LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 30 September 2006 or at any time during the six months ended 30 September 2006.

DIRECTORS' INTERESTS IN SHARES

According to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), as at 30 September 2006, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses' or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 2006, so far as being known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of shareholders <i>(Note 4)</i>	Capacity & nature of interest	Number of shares held	Percentage of the Company's share capital
Gold Capital Investments Limited <i>(Note 1)</i>	Beneficial Owner	154,146,092	28.97%
City Leader International Limited <i>(Note 1)</i>	Interest held through controlled corporation	154,146,162	28.97%
Ma Ching Chung, Robert <i>(Note 1)</i>	Interest held through controlled corporation	154,146,092	28.97%
Kenfair International (Holdings) Limited <i>(Note 2)</i>	Beneficial owner	54,800,000	10.30%
	Interest held through controlling corporation	38,000,000	7.14%
Kenfair Publications Limited <i>(Note 2)</i>	Beneficial owner	38,000,000	7.14%
Pro-Capital Investments Limited <i>(Note 2)</i>	Interest held through controlled corporation	38,000,000	7.14%
Capital Concord Profits Limited <i>(Note 2)</i>	Interest held through controlled corporation	92,800,000	17.44%
Ip Ki Cheung <i>(Note 2)</i>	Interest held through controlled corporation	92,800,000	17.44%
Prosperity Investment Holdings Limited <i>(Note 3)</i>	Beneficial owner	52,777,026	9.92%
Eric Edward Hotung, C.B.E.	Beneficial owner	29,952,608	5.63%

Notes:

1. Under the SFO, Mr. Ma Ching Chung, Robert is deemed to be interested in 154,146,092 Shares held by Gold Capital Investments Limited, which is beneficially owned by City Leader International Limited, which is beneficially owned by Mr. Ma Ching Chung, Robert.
2. Under the SFO, Kenfair International (Holdings) Limited is deemed to be interested in 92,800,000 Shares, of which 38,000,000 Shares are held by Kenfair Publications Limited. Kenfair Publications Limited is wholly-owned by Pro-Capital Investments Limited, which is wholly owned by Kenfair International (Holdings) Limited. Mr. Ip Ki Cheung is beneficially interested in 50% of the entire issued share capital of Capital Concord Profits Limited which has 50% shareholding in Kenfair International (Holdings) Limited. Kenfair International (Holdings) Limited is a company whose shares are listed on the stock exchange (stock code: 223).
3. Prosperity Investment Holdings Limited is a company whose shares are listed on the main board of the stock exchange (stock code: 310).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY (Continued)

Notes: (Continued)

4. Giant Sino Group Ltd. had disclosed pursuant to section 336 of the SFO that it had underwritten 1,064,200,000 Open Offer Shares (as defined in the Circular dated 24 October, 2006) and subsequently acquired 857,983,124 Offer Shares after the Open Offer was undersubscribed and completed on 29 November 2006, representing approximately 53.75% of the enlarged issued share capital of 1,596,300,000 shares of the Company. Relevant details of the Open Offer and the shares acquired by Giant Sino Group Ltd. was announced on 29 November 2006. Giant Sino Group Ltd. is wholly-owned by Space Capital Investments Limited.

Other than as disclosed above, the Company had not been notified of any other interest representing 5% or more of the Company's shares and underlying shares as at 30 September 2006.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the period ended 30 September 2006 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules. In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the reporting period, except the following deviations:

The Company appointed its chairman and vice-chairman on 20 December, 2006 but does not have any officer with the title of "chief executive officer". The role of chairman and the management is separated as there are three executive directors, namely, Mr. Yu Tat Chi, Michael, Mr Leung Man Kit, and Mr. Cheng Sui Sang who are mainly in charge of the overall management of the Company. The Directors intended to maintain this structure for the time being as it believes that this structure can ensure efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Directors and management of the Company. Besides, all Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association. (Code Provision A.2.1)

The independent non-executive directors of the Company are not appointed for specific terms as required by the Code, but are subject to retirement by rotation in accordance with the Company's articles of association. (Code Provision A.4.1)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

AUDIT COMMITTEE

In accordance with the Appendix 14 of the Listing Rules, the Directors established an audit committee since 1999 and the audit committee currently comprises six independent non-executive directors.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements. Mr Li Ka Fai, David and Mr Lee Choy Sang were appointed as members of the audit committee on 14 December, 2006, and Ms. Ka Kit was appointed as member of the audit committee on 20 December, 2006. Mr. Tang Ping Sum, Mr. Chan Cheong Yee, and Mr Lo Kwok Chee, Johnny will be resigning as directors on 27 December, 2006. The reason for the appointment of new members was to maintain continuity for the proper functioning of the audit committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2006.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company on 20 December 2005, in accordance with the requirement of the Code. The remuneration committee, presently comprising the chairman, Mr. Bong Shu Yin, Daniel (appointed on 20 December, 2006), Mr. Leung Man Kit, executive director (will be resigning on 27 December, 2006), and four independent non-executive directors, namely, Mr. Chan Cheong Yee and Mr. Tang Ping Sum (both will be resigning as directors on 27 December, 2006), Mr. Li Ka Fai, David and Mr. Lee Choy Sang (appointed on 20 December, 2006). The remuneration committee holds at least one meeting every year and the reason of appointment of new members was to maintain continuity for the proper functioning of the remuneration committee. The principal responsibilities of the remuneration committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive director and members of the senior management. Remuneration and the employment contracts of new appointing directors have to be reviewed and approved by the remuneration committee. Compensation of removal or dismissal of directors has to be reviewed and approved by the remuneration committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

By Order of the Board

CHENG Sui Sang

Executive Director

Hong Kong, 22 December 2006