

## MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL RESULTS

The Group's unaudited net loss for the six months ended 30 September 2006 was HK\$202.9 million compared to HK\$73.5 million for the corresponding period last year. The loss was mainly caused by fair value losses on trading securities of HK\$161.8 million.

Revenue increased from HK\$111.5 million in the last period to HK\$248.7 million in this period. Details of the segmental analysis of the revenue can be seen on note 2 to the interim financial statements. The Group gearing ratio at 30 September 2006 was 30.5% and had a current ratio at that date of 5,148.7%.

## BUSINESS REVIEW

The Group is an investment holding company with the following major lines of business:

- (a) **Property Investment:** the Group has a total of three floors and a shop of an office building in Hong Kong. A large part of the office space is currently leased out with a small portion retained as the principal office of the Group. In addition, the Group owns a few units of high class residential units in Hong Kong. The total value of the Group's portfolio stood at HK\$163.2 million as at 30 September 2006.
- (b) **Investments in Securities:** Majority of the Group's net loss this period was attributed to fair value losses on securities for the amount of HK\$161.8 million. Since it is an unrealised loss, it is subject to fluctuation and may not materialise at all. The total portfolio value of this sector stood at HK\$294.0 million as at 30 September 2006.
- (c) **Money Lending Business:** profitability of the Group's money lending business was affected by provision against doubtful receivable of approximately HK\$10 million. However the provision was made for prudential reason and it may or may not materialise. As at 30 September 2006, the Group's loan portfolio was approximately HK\$358.5 million.
- (d) **Investments in Media Business in the PRC:** In July 2006, the Group has completed the subscription of 20% shares in New Range Investments Limited, a Hong Kong company, which owns 100% of Shanghai New Line Advertising Inc. ("New Line") a PRC company, that is engaging in media business in China. With the good rapport the management of New Line has established with the personnel of China Welfare Lottery Issuance Centre, new areas of revenue have been identified. It is hopeful that this line of business will contribute positively to the Group's results in the coming year.

## **BUSINESS REVIEW** (continued)

- (e) Provision of casino management service: Subsequent to 30 September 2006, the Group has entered into a non-legally binding letter of intent with a casino owner in Macau (“Owner”), pursuant to which the Group has agreed to provide certain management services to the Owner in connection with a VIP area to be established in a Las Vegas style casino in Cotai, Macau. It is anticipated that the casino will have a gross floor area of at least 200,000 square feet and the VIP area will occupy one of the two storeys of the casino, with several VIP rooms and a general gaming area restricted to members only. The services to be provided by the Group include marketing, customer relations, transportation, administrative and other related services. The Group will guarantee to the Owner a minimum gross gaming revenue per month for this VIP area. In return thereof, the Group will be entitled to (i) a service fee equivalent to a certain percentage of the aggregate amount of special non-negotiable gaming chips purchased by the Group during such period; and (ii) a bonus fee calculated with reference to the Owner’s profits if the win rate of the Owner with respect to this VIP area achieves a certain percentage. The Group is very excited about this area of business which shall bring very good profitability to the Group if materialised.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2006, the Group’s total assets and borrowings (including liability component of convertible notes) were HK\$991.8 million and HK\$302.1 million, respectively. The borrowings of the Group carried floating interest rates with reference to Hong Kong dollar prime rate and were made in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) at 30 September 2006 was 30.5%. As at 30 September 2006, investment properties and a leasehold property amounted to HK\$163.2 million and HK\$19.8 million, respectively, were pledged to banks to secure certain loan facilities granted to the Group and investment in securities with carrying amount of HK\$271.0 million were pledged to certain financial institutes to secure margin financing facilities provided to the Group.

## **ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

Details of the acquisition and disposal of the subsidiaries during the period are set out in note 16 to the interim financial statements.

## **CURRENCY RISK MANAGEMENT**

Most cash and bank balances are dominated in Hong Kong dollars. The Group’s foreign currency assets are immaterial. The Group’s exposure to foreign exchange risk is minimal and as such did not have any requirement to use financial instruments for hedging purpose.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 September 2006 (31 March 2006: Nil).