

Management Discussion and Analysis

RESULTS

For the year ended 31st December 2006, the Group recorded a net profit attributable to shareholders of approximately HK\$237 million, representing an increase of 210% over 2005 of approximately HK\$76 million. Basic earnings per share attributable to the shareholders of the Company grew from HK6.49 cents in 2005 to HK19.91 cents in 2006. Revenue of the Group is approximately HK\$1,319 million, which recorded an increase of 15% from 2005.

DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES

On 7th November 2005, the Company entered into two conditional agreements for the sales of its entire interest in Geoby International Holdings Limited and its subsidiaries ("Geoby") to Pacific United Development Limited (ultimately controlled by the management team of Geoby) and G-Baby Holding Limited (a third party independent of the Company), at a consideration of US\$1,544,399 and US\$58,032,683 respectively. Upon completion of the transaction in January 2006, the Company has no interest in Geoby thereon and has recorded a gain of approximately HK\$100 million in the consolidated results for the year ended 31st December 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various investment projects. As at 31st December 2006, the Group had raised bank loans of approximately HK\$147 million and held approximately HK\$476 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 8.7%. Investment in 'financial assets at fair value through income statement' as at 31st December 2006 amounted to approximately HK\$158 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will appreciate in a stable pattern in future. The Group has no significant exposure to other foreign exchange fluctuations.

PLEDGE OF ASSETS

Certain properties and leasehold land of the Group with an aggregate net book value of approximately HK\$76 million as at 31st December 2006 (2005: approximately HK\$96 million) as well as fixed deposits of approximately HK\$32 million (2005: approximately HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to approximately HK\$161 million (2005: approximately HK\$45 million) granted to the Group.

EMPLOYEES

As at 31st December 2006, the Group employed 1,013 staff, of which 922 are located in the Chinese Mainland. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the year ended 31st December 2006 amounted to approximately HK\$196 million.

CONTINGENT LIABILITIES

As at 31st December 2006, the Group had no material contingent liabilities.