



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the investment in listed and unlisted companies in Hong Kong and overseas market.

As at 31st December 2006, the Group's investment portfolio covered companies in a wide range of industries which includes investment holdings, investment in securities, provision of brokerage and financial services, construction and operation of toll highway, metal trading and development and trading of communication equipment, etc.

The turnover of the Group was approximately HK\$230,698,000 representing a decrease of 6.32% as compared to that of approximately HK\$246,266,000 in last financial year. The decrease was mainly due to HK\$16,205,689 decrease in the proceeds from sale of financial assets which was partially offset by HK\$637,822 increase in dividend income from financial assets. The net loss of the Group was significantly reduced by 69.07% which was approximately HK\$28,541,000 in the year of 2006 compared to approximately HK\$92,273,000 in last financial year. The improvement is attributed by a significant decrease in the unrealised holding loss on investment in unlisted and listed financial assets and the purchase costs of financial assets in the year of 2006. Overall speaking, the Group's performance has improved gradually and would continue to focus on investing in companies with growth potential.

As at 31st December 2006, the total assets of the Group were approximately HK\$166,258,000 of which the non-current portion and the current portion were approximately HK\$489,000 and approximately HK\$165,769,000 respectively. The current liabilities of the Group were decreased to approximately HK\$5,813,000 as at 31st December 2006 from approximately HK\$26,786,000 as at 31st December 2005. The net assets of the Group as at 31st December 2006 were approximately HK\$160,445,000 compared to approximately HK\$141,144,000 as at 31st December 2005. The increase in net assets was mainly attributed by HK\$15,000,000 decrease in short-term loans.

The Group had outstanding minimum lease payments under non-cancellable operating leases of approximately HK\$430,000 within five years from 31st December 2006.



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OUTLOOK

The Board remains optimistic on the economic development of Hong Kong in 2007. Recent economic figures indicate that domestic economy is still growing, but this time on a fullest extent. Last year saw not only export grow but banking and financial sector, property market and tourism also recorded satisfactory growth. The most encouraging sign was domestic consumption also grew by 5.8% in the fourth quarter of 2006. This shows that local people have enjoyed an increase in their salary and restored their confidence in Hong Kong's economic future which enable them to spend more. Obviously, the main reason for the economic growth of Hong Kong is the support of PRC. PRC's strong economic growth and her policies to allow individual citizen to visit Hong Kong, to encourage huge corporations such as ICBC, The Construction Bank to list their shares on Hong Kong Stock Market enable Hong Kong to recover quickly from SARS and sustain continuing economic growth since then. Needless to say, Hong Kong's future growth hinges on the economic growth of PRC.

China has been the focus of investment sector in the past decade. Hot money flowed into PRC which drove the commodity prices and RMB to rise. This trend has never stopped and inevitably brings inflationary pressure to PRC economy. To solve the inflation problem, the PRC government tries to cool down the overheated economy by tightening the money supply via increase in interest rates and deposit reserve rates. We expect tighter austerity measures will be imposed if the inflationary pressure cannot be cured in the near future. In that case, there may be correction and consolidation in PRC's overheated economy including the property market and the stock market. However, this will not affect the long term economic growth of PRC which will become a more sustained healthy growth.

For the US economy, the Board is of the view that economic growth in US will be slowed down. Property price has dropped significantly which adversely affected the property sales and also the mortgage market especially the sub-prime mortgage market. Though sub-prime mortgage market accounts for a relatively insignificant portion of the entire mortgage market in US, we have to closely monitor whether the non-performing sub-prime mortgage loans will affect the banking sector and the consumer market if credit is tightened. In view of this, we expect export to US will slow down this year.

In view of the above, we expect the stock market will be volatile in the year ahead though we are optimistic on the long term economic growth of Hong Kong.



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DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2005: NIL).

PLEDGE OF ASSETS

At the balance sheet date, the Group's investments in listed financial assets at fair value through profit or loss with carrying value amounting to HK\$151,753,841 (2005: HK\$134,727,958) were pledged to brokers to secure margin financing provided to the Group.

EMPLOYEES

As at 31st December 2006, the Group had approximately 4 employees with remuneration of approximately HK\$1.18 million (2005: HK\$1.428 million) for the year. The Group's emolument policies are formulated on the performance of individual employee and will be reviewed regularly every year.

The Group has established a share option scheme for its employees and other eligible participants with a view to providing an incentive to or as a reward for their contribution to the Group. During the year, the Group had issued 39,600,000 (2005: 260,879,000) options to employees and other eligible participants.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to the management and staff members for their continued dedication and contribution. I would like to express our gratitude to our shareholders for their support to the Group.

For and on behalf of the Board

CHUNG Yuk Lun

Chairman

Hong Kong, 20th April 2007.