

Management Discussion and Analysis ■■■■

FINANCIAL RESULTS

The Group recorded a turnover of approximately HK\$15.4 million for the year ended 31st December, 2006, representing an increase of approximately 4.6 times compared with approximately HK\$2.7 million of the previous year. The increase in turnover was mainly contributed from securities trading. Consolidated profit attributable to shareholders amounted to approximately HK\$555 million, compared with loss attributable to shareholders of approximately HK\$10 million in the preceding year. Earnings per share was approximately HK\$8.33 as compared with loss per share of HK\$0.45 for the preceding year.

BUSINESS REVIEW

An order granted by the Court of First Instance of the High Court of Hong Kong dated 20th September, 2006 dismissed the petition to wind up the Company. The Provisional Liquidators of the Company, Messrs. Lai Kar Yan (Derek) and Joseph K. C. Lo, both of Deloitte Touche Tohmatsu were discharged from their duties. Accordingly, the Group has successfully emerged from provisional liquidation.

Trading of the Company's shares on the Stock Exchange resumed on 20th October, 2006.

Property management, property investment and development will continue to be the Group's core business.

Existing Businesses

To strengthen the Group's asset portfolio, the Group acquired a Hong Kong-registered company which owns a hotel. Hong Kong hotel industry continued to perform well, thanks to growth in visitor arrivals. Overall, room occupancy rates remained at a steady and satisfactory level.

During the year, the Group also acquired low-density luxurious residential properties in Beijing.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

During the year, deposit paid for acquisition of investment properties in Mainland China was approximately HK\$5.88 million, such deposit was pledged to a bank to secure bank loans granted to a subsidiary of the Company.

The Group had no significant contingent liabilities as at 31st December, 2006.

EMPLOYEE AND EMOLUMENT POLICY

The emolument policy of the employees of the Group is decided by the Board of Directors on the basis of their merit, qualifications and competence. The Group had a total of approximately 32 employees as at 31st December, 2006. Total staff costs for the year under review amounted to approximately HK\$0.70 million (2005: HK\$0.28 million). It continues to reward its staff with reasonable remuneration packages that include medical insurance, retirement benefits, etc.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in Note 29 to the consolidated financial statements.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year under review, the Group completed transactions relating to the acquisition of 100% equity interest in Rolling Development Limited and Kingfund Corporation Limited respectively.

Rolling Development Limited was incorporated with limited liability in Hong Kong on 5th August, 1993 and has a paid-up capital of HK\$10,000. Its principal activities are property investment and the provision of consultancy services in Hong Kong. It held a hotel property in Hong Kong with a fair value of approximately HK\$77 million as at 31st December, 2006.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES (cont'd)

Kingfund Corporation Limited was incorporated with limited liability in Hong Kong on 15th September, 2005 and has a paid-up capital of one share of HK\$1. It is an investment holding company and has entered into agreements to acquire investment properties in Mainland China.

Pursuant to the respective creditors' scheme of arrangement of the Company and The Sun's Group (H.K.) Limited, there were a number of direct and indirect subsidiaries of the Company and The Sun's Group (H.K.) Limited transferred to the Scheme Administrators or their nominees during the year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

Most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars and United States dollars. As a result, there was no exchange rate risks of the Group during the year ended 31st December, 2006.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

In 2006, the Company issued a total of 201,669,224 shares at HK\$1 each for the aggregate amount of approximately HK\$ 200.7 million cash (net of commissions, fee and expenses).

As at 31st December, 2006, the Group's net current assets were approximately HK\$101.9 million, as compared with net current liabilities of approximately HK\$574.1 million for last year. Current assets amounted to approximately HK\$103.6 million (2005: HK\$3.9 million), of which approximately HK\$91.1 million (2005: HK\$3.5 million) was fixed deposits, cash and bank balances. In terms of the quality of current assets, the Group was therefore in a healthy liquidity position.

As at 31st December, 2006, the Group had short term bank borrowings HK\$0.07 million (2005: HK\$321.5 million), which will be due within one year, and long term bank borrowings was approximately HK\$3.8 million (2005: Nil). All the Group's borrowings were principally denominated in Hong Kong dollars.

The gearing ratio of the Group as at 31st December, 2006 measured in terms of total liabilities divided by shareholders' equity was approximately 2.97% (2005: Nil).

The Group financed its operations generally with internally generated cash flows.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference no less exacting than those required standard as set out in the Code on Corporate Governance Practices (the "Code"). The Remuneration Committee consists of three members namely, Mr. Chan Chi Shing, Paul, Mr. Kwee Chong Kok, Michael and Mr. Lo Wai Keung, Peter, the Company's independent non-executive directors. The Remuneration Committee reviews and determines the remuneration policy and other remuneration related matters concerning the Group's Directors and senior management.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee was established with written terms of reference no less exacting than those required standard as set out in the Code. Three independent non-executive directors of the Company were appointed as members of the Audit Committee on 13th October, 2006, namely Mr. Chan Chi Shing, Paul, Mr. Kwee Chong Kok, Michael and Mr. Lo Wai Keung, Peter.

The Audit Committee has reviewed with management and the auditors the audited consolidated annual results of the Group for the year ended 31st December, 2006.