

## Chairman's Statement

On behalf of the board of directors of the Company and its subsidiary companies (the "Group"), I am pleased to present the audited annual report of the Group for the year ended 31 December 2006 to the shareholders.

### FINANCIAL RESULTS

For the year ended 31 December 2006, the Group's turnover decreased by 30.6% to approximately HK\$6.8 million and recorded a loss attributable to shareholders of approximately HK\$23.8 million when compared to last year's turnover of approximately HK\$9.8 million and profit attributable to shareholders of HK\$3 million. No geographical and segment analysis is presented for the year ended 31 December 2006 as the Group's turnover and results were substantially derived from property business in the PRC except there are certain losses made by an impairment in value of project costs amounted to HK\$5 million derived from the late opening of the carnival event organised in the PRC. The decrease in turnover for the year ended 31 December 2006 was due to relative high portion of previous sale properties being returned from customers as a result of their non-performance in the mortgage loans when compared to last year. Faced with decrease in turnover and a loss position, the Group exercised a more stringent control over the cost elements such as distribution costs and finance costs that successfully kept the cost elements down by 28% and 79% to approximately HK\$2 million and HK\$0.63 million respectively compared to last year.

### BUSINESS REVIEW

In 2006, the PRC economy still enjoyed its rapid and steady growth. In turn, a continuing macroeconomic measures exercised by the PRC government during 2006 aiming to suppress the property market from over-booming due to excessive capital flowing into the property market. The property market was then inevitably subject to more strengthening on the levy of land appreciation tax ("LAT") and to the tightening of capital requirements by financial institutions to create credits. As a result of all the measures implemented by the PRC government, the Shenzhen property market price turned out to be reasonably upward in 2006.

Facing the current tightening occasion, the Directors believe that the appropriate strategies are to uphold the Group's existing resources and to take a prudent view in seeking for future suitable development opportunities.

For property development business, the Group commenced preliminary works on a project site located in Buji city of Shenzhen, the PRC for properties development into residential and commercial uses from a land with site area of approximately 26,000 sq.m. of which the Group already paid up the land premium and is awaiting the issue of land title certificate by Land Bureau of Shenzhen.

For the development of new business, in view of continuing growth on the personal income in the PRC leading to increasing willingness in personal entertainment expenditures and vast market potential to be foreseen in carnival business, the Group formed a joint-venture company in October 2006 to organise carnival events in the PRC.

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### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group's cash and bank deposits were approximately HK\$2.7 million (2005: HK\$1.4 million) and the percentage of cash and cash equivalent denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB") was 50% and 50% respectively (2005: 53% and 47%).

The Group had total current assets of approximately HK\$52 million (2005: HK\$68 million) and total current liabilities of approximately HK\$63 million (2005: HK\$49 million). The Group recorded total assets of approximately HK\$380 million (2005: HK\$376 million) and total bank loans and borrowings of approximately HK\$35.7 million (2005: HK\$31.7 million). As at 31 December 2006, the Group's total interest-bearing borrowings amounted to approximately HK\$35.7 million (2005: HK\$31.7 million), of which HK\$33.4 million was repayable within 1 year (2005: HK\$26.8 million), HK\$2.3 million was repayable from 1-2 years (2005: HK\$2 million) and nil was repayable from 2-5 years (2005: HK\$2.9 million).

As at 31 December 2006, the percentage of the Group's interest-bearing borrowings denominated in HKD and RMB was 34.5% and 65.5% (2005: 100%) respectively and such borrowings carried interest rates ranged from 7.25% to 12.6% (2005: 7.25% to 11.4%).

The gearing ratio for 31 December 2006, which was defined to be total interest-bearing borrowings over shareholders' equity, was 11.3% (2005: 10%).

The Group's major operations are located in the PRC and the main operational currencies are HKD and RMB. There was an exchange rate appreciation of RMB against HKD for about 4% in 2006 and there is no adverse movement of such trend foreseen by the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimise the foreign exchange risk and exposure.

### CHARGE OF ASSETS

Pledged bank deposits as at 31 December 2006 of the Group amounted to approximately HK\$9.4 million, of which HK\$3.4 million (2005: HK\$5.2 million) have been acting as a security for the mortgage loans made available from banks to the buyers of the Group's properties, HK\$1 million as a security for a security instrument issued to the PRC custom authority and HK\$5 million (2005: HK\$nil) acting as a security for the overdraft facility made available from a bank for the working capitals of the carnival business.

Investment properties of the Group amounted to approximately HK\$20.7 million (2005: HK\$24 million), properties held for sale of the Group amounted to approximately HK\$9.1 million (2005: HK\$8.5 million) and buildings of the Group amounted to approximately HK\$4.8 million (2005: HK\$4.9 million) have been pledged to banks to secure bank loans and facilities granted to the Group.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group engaged into a carnival business in the PRC by forming a joint-venture company named All Right Holdings Limited with the Group having 78.26% equity interest in the joint venture. This investment is considered as Discloseable Transaction under the Listing Rules and the details of which could be referred to the Company's Circular to shareholders on 2 November 2006.

Save as disclosed in the Company's announcement dated 18 October 2006 in relation to the forming of joint-venture company for carnival business, the Group did not have any acquisitions and disposals of subsidiary companies and affiliated companies during the year ended 31 December 2006.

## CONTINGENT LIABILITIES

The Company has given a corporate guarantee to a bank in respect of fully utilised general banking facilities granted to a subsidiary company amounting to HK\$10 million as at 31 December 2006 (2005: HK\$nil).

The local tax authorities of Shenzhen, the PRC commenced to levy LAT on property developers since 1 November 2005. In the opinion of the Directors, the total LAT related to the properties sold during the years ended 1999, 2000 and 2001 in the amount of HK\$17,254,000 has not yet been levied by the tax authorities of Shenzhen, the PRC and the Directors consider that there is low possibility that LAT will be levied. Should the levies applied to the properties sold in 1999, 2000 and 2001, then additional LAT attributable to the Group would amount to HK\$17,254,000 (2005: HK\$17,254,000).

During the year ended 31 December 2006, one of the Company's wholly-owned subsidiary companies has given a security instrument in favour of the PRC custom authority for any custom duties arisen in the case of disposal of the imported machines and associated equipments operated in the carnival event within the territory of the PRC to the amount limited to RMB 5 million.

## EMPLOYEES

As of end of 2006, the Group employed 58 employees (2005: 62) and the staff costs for the year amounted to approximately HK\$3.8 million (2005: HK\$3.7 million). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered discretionary bonus based on the results of the Group and their individual performance.

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### PROSPECT

China is seen to be one of the world's highest growth economy entities in terms of gross domestic product ("GDP") in the coming decade and strong demands for the PRC properties shall certainly be the outcome.

The Group's properties portfolio with its existing land related resources will probably be benefited in appreciation of asset value from such strong demands.

Besides the development of the current projects, the Group is also actively to explore other development opportunities in the PRC.

### APPRECIATION

On behalf of the Board, I would like to extend our wholehearted gratitude to the Group's employees for their dedication and efforts in servicing the Group for the year as well as to our customers, suppliers, bankers and shareholders for their continued valuable supports.

**Tsang Wai Lun, Wayland**

*Chairman*

Hong Kong, 24 April 2007