MANAGEMENT DISCUSSION AND ANALYSIS

Results

The turnover of the Group for the six months ended 31st December 2005 decreased to approximately HK$9 million compared to approximately HK$69.5 million for the corresponding period last year, a decrease of approximately 87.1%. The decrease in turnover was mainly attributable to the change of mode of business from operating the cruise ship to licensing it since June 2005.

The gross profit of the Group for the six months ended 31st December 2005 decreased to approximately HK$5.3 million compared to approximately HK$39.4 million for the corresponding period last year due to decrease in level of turnover. The gross profit margin of the Group for the six months ended 31st December 2005 slightly increased to approximately 58.7%, compared with approximately 56.7% for the corresponding period last year.

The general and administrative expenses for the six months ended 31st December 2005 decreased to approximately HK$2.2 million compared to approximately HK$6.8 million for the corresponding period last year.

The finance costs for the six months ended 31st December 2005 increased by approximately 76.6% to approximately HK$0.8 million compared to approximately HK$0.5 million for the corresponding period last year. The increase in the finance costs was mainly attributable to the slight increase in borrowings level and an increase in interest rate.

Loss attributable to equity holders of the Company for the six months ended 31st December 2005 was recorded at approximately HK$1,000, compared with the profit of approximately HK$15.5 million reported in the corresponding period last year. The loss was mainly attributable to the change of mode of business from operating the cruise ship to licensing it.

Business Review

In the corresponding period last year, the Group was principally engaged in operation of its cruise ship of Ming Fai Princess. Due to change of operating environment, the Group has granted a licence to a third party at a licence fee for two years commencing in June 2005 in respect of the whole operations of the cruise ship at new route in Hong Kong waters and the international waters nearby Hong Kong. The turnover in the reporting period mainly comprises the licence fee for the operations of the cruise ship.

Future Plan and Prospect

On 16th February 2006, the Company entered into an agreement with two vendors, one of whom is an associate of a director of the Company, pursuant to which the Company or its nominee has conditionally agreed to acquire and the vendors have conditionally agreed to sell the entire issued capital of Silver Light Group Company (the "target company") at an aggregate consideration of approximately HK$40 million (the "Acquisition"). An indirect wholly-owned subsidiary of the target company is principally engaged in the operation of "Century Ginwa" branded department store in Urumqi, the PRC. As the Acquisition is a major and connected transaction under the Listing Rules, its completion is subject to a number of conditions precedent (including the approval of independent shareholders).

Having considered the rapid growth in the PRC department store market, the Directors consider that the Acquisition will enable the Group to diversify its business interests and benefit from the growth of the PRC department store market. The Directors are of the view that the revenue of the Group will be mainly contributed by the department store business after the successful completion of the Acquisition. The Group is pursuing further investment opportunities of similar nature.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2005, net current liabilities and net assets of the Group amounted to approximately HK$1.2 million (30th June 2005: HK$7.9 million) and approximately HK$202.1 million (30th June 2005: HK$199.7 million) respectively. As at 31st December 2005, the Group had cash and cash equivalents amounted to approximately HK$0.2 million (30th June 2005: HK$1.3 million). The current ratio of the Group as at 31st December 2005 was 94% (30th June 2005: 74%).

On 20th January 2004, the Company issued Secured Guaranteed Floating Rate Notes due 2006 in the principal amount of US$10,000,000 (the "Floating Rate Notes"). The Floating Rate Notes carry interest at the rate equivalent to LIBOR for deposits in US Dollars for one month plus a margin of 1.5% per annum. The Floating Rate Notes are guaranteed by certain executive directors of the Company and are also secured by certain assets of the Group as detailed in note 12 to the Interim Accounts. The Company and the lender have agreed to extend the maturity date of the Floating Rates Notes to 20th October 2006. The gearing ratio, which is found by dividing the financial indebtedness by the shareholders' equity, as at 31st December 2005 was 10.3% (30th June 2005: 9.4%).

As at 31st December 2005, the Company had 409,222,500 shares in issue with total shareholders' funds of the Group amounting of approximately HK$174.6 million.