

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.

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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.