

Management Discussion and Analysis

Turnover of the Group for the year ended 31st December, 2005 was HK\$4,144,202 (2004: HK\$5,166,500) and the profit attributable to shareholders was HK\$22,416,899 (2004: HK\$8,119,191).

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year 2005, the Group has redeemed an aggregate amount of HK\$12,400,000 convertible bond and installment loan. As at 31st December, 2005, the Group had loans of HK\$7,500,000. The Group intends to repay all remaining loans before the end of December 2006. The Group had available funds of HK\$5,111,090 which were mainly placed with banks as time deposits. Cash and bank balances held by the Group are mainly denominated in Hong Kong dollars.

The Group had shareholders' fund of HK\$169,659,406 at 31st December, 2005 compared to HK\$148,812,454 at 31st December, 2004.

The Group has unutilised banking facilities of HK\$6,000,000 and has no significant funding requirements for investment and capital expenditure commitments at present. The interest rate charged on the banking facilities is 2% per annum over the Prime Lending Rate or 2% per annum over the prevailing overnight Hong Kong Interbank Offered Rate, whichever is higher.

The Group has outstanding capital expenditure commitment amounting to HK\$1,000,000 as at 31st December, 2005.

Capital Structure

There was no significant change in the Group's capital structure for the year ended 31st December, 2005 except 24,300,000 new shares were placed to third parties through a placing agent. On 1st March, 2005, the Board approved the placement of shares at a price of HK\$0.35 per placement share. After the completion of the placement of shares, a total sum of HK\$8,242,375 was received by the Company in which an amount of HK\$4,860,000 and HK\$3,382,375 was credited to the share capital account and share premium account respectively. At the Company's Annual General Meeting on 28th June, 2005, shareholders approved the adoption of share option scheme. As at 31st December, 2005, there is no share option granted to the Company's directors or employees.

The Group's borrowings are at fixed interest rates and denominated in Hong Kong dollars. The Group did not employ any financial instruments to hedge interest rate risks.

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CHARGE ON GROUP ASSETS

As at 31st December, 2005, the Group's financial assets at fair value through profit or loss have an aggregate market value of HK\$2,400,000 (2004: HK\$7,211,600) that could be pledged to a bank to secure a bank line.

GEARING RATIO

The gearing ratio for the Group is 4% (2004: 13%) and represents the ratio of the Group's borrowings to the net asset value of the Group.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

In view of continuous economic growth, the Group had invested further HK\$9.4 million in the shopping arcade at Cyberport for the year 2005. This is a project which focuses on wedding-themed services as well as Food and Beverage services. The Group looks forward to the positive cash flow for the coming period.

The Group's investment in a logistics company has been positively affected by market improvement. The Group subscribed to a convertible note amounting to HK\$2 million in that company.

Our investment in a car beauty company is showing improvement in performance. The operating loss of the company had been reduced and it is expected to be profitable in the next year from its financial forecast.

The Group has received repayment of HK\$11.5 million from two investee companies which are engaged in investing and financial services during the year 2005.

SEGMENT INFORMATION

No analysis of the Group's turnover and contribution to the operating profit for the year set out by principal activities and geographical markets is provided as the Group has only one single business segment, investment holding, and less than 10% of the consolidated turnover, results and assets of the Group are attributable to markets outside Hong Kong.

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EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2005, the Group employed a total of 8 full-time employees, including the executive directors of the Company. Employees' remuneration are fixed and determined with reference to the market remuneration.

The remuneration policy of the Company is to ensure that all employees, including directors, are sufficiently compensated for their efforts and time dedicated to the Company and remuneration offered is appropriate for their duties and in line with market practice. No director, or any of his associates, and executive, is involved in deciding his own remuneration.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. As a long-term incentive plan and with the aim at motivating employees in the continued pursuit of the Company's goal and objectives, the Company will grant share options to subscribe for share of the Company to the employees of the Company based on their performance and contribution to the Company under the Share Option Scheme.

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has no significant exposures to fluctuations in foreign exchange rates and, therefore, did not employ any financial instruments to hedge such exposures.

CONTINGENT LIABILITIES

As at 31st December, 2005, the Group has no significant contingent liabilities.