

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group recorded for the Period a turnover of approximately HK\$35.0 million (2005: HK\$95.4 million) with net profit attributable to shareholders of approximately HK\$10.4 million (2005: net loss of HK\$56.8 million). Turnover has decreased by 63.3% as compared to that of the six months ended 30 June 2005 due to the deconsolidation of the results of Jafoon Limited and its subsidiaries (“Jafoon Group”) with effect from 1 January 2005. Despite the decrease in turnover, the Group recorded a profit for the Period due to the gain derived from its property investment and the disposal of the skin and health care business and as a result of the satisfactory performance of the glass eel trading and the restaurant business.

Business review

Active steps were taken by the Directors since last year to restructure the Group’s business, and the result of the restructuring was satisfactory. The Directors had allocated resources to develop business with stable profit and to acquire high quality asset, while disposing of and trimming down unsatisfactory business. As a result of the continuous effort of the Directors, it was the first time the Group recorded a profit after several loss-making years and the gearing position of the Group had improved during the Period.

During the Period, the Company had raised approximately HK\$26 million by way of open offer in April 2006. The proceeds were used as general working capital of the Group and settlement of consideration for acquiring State Empire Limited in June 2006.

Property investment

On 19 June 2006, the Group has acquired State Empire Limited, an investment holding company holding the entire interests in Right Emperor Commercial Building. Right Emperor Commercial Building is a 24-storey commercial building situated in Central, Hong Kong. It was the intention of the Directors to hold the property as long-term investment as the property provided stable rental income to the Group. In September 2006, the Directors have resolved to dispose of Right Emperor Commercial Building. Details are stated in the paragraph “Prospects” below. Other than Right Emperor Commercial Building, the Group was also holding a few residential and commercial premises for long-term investment.

The Directors were informed by a non-wholly owned subsidiary of the Company that it had on 24 August 2006 agreed with the mortgagee bank of certain investment properties of the Group of an aggregate value of HK\$6,500,000 that the bank would exercise its power of sale to dispose of the properties for settlement of outstanding indebtedness of that subsidiary. Provisional sale and purchase agreements were entered into subsequently. The Directors were not informed of the arrangement in advance while the Directors were still seeking opportunities to dispose of the properties. The Directors will liaise with the necessary parties for further information and will investigate into the matter.

Restaurant operation

The restaurant operation continued to contribute stable income and profit for the Group. The Group acquired the operation in April 2005. Innovative food variety and improving food quality enabled the Group to maintain a stable clientele during the Period. As the business became more stable after acquired by the Group, the Directors were confident of the future of the business and therefore the Group acquired a further 5% interests in Pacific Glory Limited, the holding company of the restaurant operation, in May 2006. The Group is now interested in 80% of the restaurant operation.

Trading of glass eel

The trading of glass eel business was still a growing and developing business of the Group. With the employment of experienced staff, the Group was able to achieve a turnover of approximately HK\$25.1 million with a positive segment result of HK\$877,000 in six months' time. The results of glass eel trading were subject to seasonal fluctuation as trading season usually started from October until April. After the Group had set up the business last year, the Group had dedicated resources to improve the environment of the packing station in order to increase the survival rate of young eels.

Skin and health care business

The Group discontinued its skin and health care business at the end of May 2006 as Mr. Kwok Ying Chuen ("Mr. Kwok") and Mr. Yu Won Kong, Dennis ("Mr. Yu") resigned from the board of directors of the Group and the subsidiaries. Despite the continuous effort of the Directors to maintain the skin and health care business in the past, there were no new business opportunities, but only increasing operating costs.

Trading of jewellery and other products and artwork design business

No turnover was recorded for the Period in relation to the trading of jewellery and other products and artwork design business of the Group. The profit margin of the jewellery trading business was getting slim and it was not able to attract new investment funding. On the other hand, no new business partner or alliance had shown interests to the artwork design business of the Group and therefore, without external funding, the Directors considered that the business was difficult to maintain.

Trading of steel

The results of Jafoon Group had been excluded from the consolidated financial statements of the Group since the audited result of the Group for the year ended 31 December 2005 due to the non-cooperation of the managerial level of Jafoon Group and the loss of control over Jafoon Group. As Mr. Kwok and Mr. Yu resigned in May 2006, the change of Board members even made the communication between the management of Jafoon Group and the Board more difficult during the preparation of the interim report for the Period. No financial information in relation to Jafoon Group had been provided to the Board since last year and therefore, the Board had no alternative but to exclude Jafoon Group's result from the Group's result for the Period.

Prospects

The Group's strategy of trimming and restructuring poorly performed operations since last year's interim period was proven to be satisfactory as reflected by the profit gained during the Period. As such, the Directors would continue to follow this strategy in the future. The Directors will also strengthen the management of its subsidiaries and the members of the Board as well as seeking new investors so as to cater for future expansion. In August 2006, Mr. Wong Ching Ping, Alex had become a new substantial shareholder of the Company and the Board had successfully invited Mr. Wong be the chairman of the Company. Mr. Wong will assist the Board in overseeing the business development and corporate restructuring of the Group's business in the future. The Group will continue to focus on stabilising the profit of the Group's glass eel trading and its restaurant operation, and at the same time restructured those poorly performed business and Jafoon Group.

The Group has on 16 September 2006 entered into a provisional sale and purchase agreement to dispose of its entire interests in Right Emperor Commercial Building to an independent third party. Completion is expected to be on or before the end of this year. With the sale proceeds, the Group will improve its gearing position as well as develop new business in the future.

Financial information

The Group generally financed its operations by cash generated from operations, proceeds from issue of shares and banking facilities granted by its principal bankers.

As at 30 June 2006, the Group's gearing ratio was 0.18 (as at 31 December 2005: 0.51) (calculated on the basis of total bank and other borrowings over shareholders' funds). The decrease in the gearing ratio is attributable to the restructuring of the Group's business by disposing of the poorly performed skin and health care business.

The Group's total bank borrowings was approximately HK\$13 million. The bank borrowings were secured by investment properties, guarantees granted by directors of certain subsidiaries and third party and properties owned by directors of certain subsidiaries.

Since the Group's core operation was in Hong Kong, it was expected that the Group had limited exposure to the fluctuation in exchange rates. Bank balances and borrowings were mainly denominated in Hong Kong dollars.

Employees and remuneration policy

As at the balance sheet date, the Group employed a work force of 54 (2005: 57) employees. The employee costs (excluding directors' emoluments) amounted to approximately HK\$4.4 million (2005: HK\$4.7 million). Employee remuneration was in accordance with individual's responsibility and performance. Staff benefits include contribution to Mandatory Provident Fund Scheme, share option scheme, medical allowances and other fringe benefits.

Capital structure

- (a) By a special resolution passed by the shareholders of the Company on 20 March 2006, the share capital of the Company reorganised as follows:
 - (i) cancelled paid up capital to the extent of HK\$0.0099 on each ordinary share of the Company so that the nominal value of each issued share was reduced from HK\$0.01 to HK\$0.0001 ("Capital Reduction");
 - (ii) subdivided each of the authorised but unissued share of HK\$0.01 into 100 ordinary shares of nominal value of HK\$0.0001 each;
 - (iii) subdivided each of the authorised but unissued convertible preference share of the Company of HK\$1,000,000 each into 100 convertible preference shares of nominal value of HK\$10,000 each;
 - (iv) cancelled the entire amount standing to the credit of the share premium account of the Company as at 20 March 2006 ("Share Premium Reduction"); and
 - (v) transferred the credit arising from the Share Premium Reduction and the Capital Reduction to the contributed surplus account of the Company and applied the amount therein to set off against the entire accumulated losses of the Company as from time to time.
- (b) By an ordinary resolution passed by the shareholders of the Company on 20 March 2006, every 10 of the ordinary shares of the Company (both issued and unissued) of HK\$0.0001 each were consolidated into one new share of HK\$0.001 each and every 10 of the convertible preference shares of the Company of HK\$10,000 each were consolidated into one new convertible preference share of HK\$100,000 each.
- (c) By an ordinary resolution passed by the shareholders of the Company on 20 March 2006, the issue by way of open offer of 2,720,363,644 offer shares of HK\$0.001 each to the shareholders of the Company was approved.

Charge of assets

As at 30 June 2006, the Group's investment properties of HK\$13 million were pledged as security for banking facilities.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the Period (2005: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2006, none of the Directors or chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) as recorded in the register maintained by the Company, pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules.

SHARE OPTION SCHEME

The share option scheme (the "Scheme") of the Company was adopted on 28 January 2004. The purpose of the Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest. The key terms of the Scheme had been summarized under Note 32 of the Notes to Financial Statements from page 85 to 87 of our 2005 Annual Report published in April 2006.

At the annual general meeting of the Company held on 25 May 2006, an ordinary resolution was duly passed by the shareholders of the Company to refresh the limit in respect of the granting of share options under the Scheme up to 10% of the issued share capital of the Company as at 25 May 2006 ie. 408,054,546 shares.

There is no outstanding options remain un-exercised at the beginning and at the end of the Period. No options was granted, exercised, cancelled nor lapsed during the Period. As at 30 June 2006, the total number of shares available for issue under the Scheme was 408,054,546 shares which represented 10% of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, so far as is known to any Director or chief executive of the Company, the following persons or corporations (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company were as follows:-

Long position in ordinary shares of the Company

Name of shareholder	Nature of interests	Number of ordinary shares held	Approximate percentage holding
Ample Glory Limited	Beneficial	617,829,573 (note 1)	15.14%
Mr. Kwok Ying Leung ("Mr. Kwok")	Interest in a controlled corporation	617,829,573 (note 1)	15.14%
Ms. Cheung Lai Sheung, Winnie ("Ms. Cheung")	Family	617,829,573 (note 1)	15.14%

Notes:

1. The 617,829,573 shares are held by Ample Glory Limited, a company wholly-owned by Mr. Kwok. Accordingly, Mr. Kwok is deemed to be interested in the 617,829,573 shares. Ms. Cheung, the spouse of Mr. Kwok, is also deemed to be interested in the 617,829,573 shares by virtue of the interest in such shares of her spouse. Both Mr. Kwok and Ms. Cheung do not hold any office in the Group and they are not directors nor chief executive of the Company and/or any of its subsidiaries or any associates of any of them.

Save as disclosed above, as at 30 June 2006, so far as is known to the Directors or chief executives of the Company, no other person or corporation (not being a Director or chief executive of the Company) had any interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has complied throughout the Period with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules except with the following deviation:-

Code Provision A.2.1

This code stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company has appointed Mr. Wong Ching Ping, Alex as the Chairman and executive director of the Company with effect from 9 August 2006. Accordingly, Mr. Wong has assumed the responsibility to manage the Board and overview the strategic development of the Group. The day to day management of the Company’s business is shared between the executive directors. The Company has not appointed chief executive officer but the executive role of managing the operations of the Group is mainly carried out by Mr. Wong Tak Chung, Andrew. The current Board constitution functions well within the Group and the Board will review its constitution to cope with the Group’s future business development.

Code Provision A.4.1

This code stipulates that non-executive Directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive Directors of the Company is appointed for a specific term. However, in accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year shall retire and offer himself for re-election at the next following annual general meeting following his appointment. Further, at each annual general meeting one-third of the Directors for the time being shall retire from office. The Board is of the opinion that the current practice of appointing non-executive Directors without specific term but otherwise subject to rotation and re-election by shareholders is fair and reasonable.

Code Provision A.4.2

This code stipulates that all Directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

At the annual general meeting of the Company held on 25 May 2006, a special resolution was passed to amend certain bye-laws of the Bye-laws of the Company, amongst which, bye-law 99(B) was amended and provides that every Director shall be subject to retirement at least every three years.

Code Provision A.4.2 has been fully complied with since 25 May 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the code of conduct regarding securities transactions by Directors and senior executives on terms no less exacting than the required standard as set out in Appendix 10 of the Listing Rules – Model Code for Securities Transactions by Directors of Listed Issuers. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct during the Period.

PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

By Order of the Board
Wong Ching Ping, Alex
Chairman

Hong Kong, 20 September 2006

Executive Directors

Mr. Wong Ching Ping, Alex
Mr. Wong Tak Chung, Andrew

Independent Non-executive Directors

Mr. Tso Hon Sai, Bosco
Ms. Hui Wai Man, Shirley
Mr. Tang Yiu Wing