FINANCIAL REVIEW

For the year ended 31 December 2006, the Group's business grew significantly to a record turnover of HK$133,235,000 (2005: HK$94,241,000), an increase of approximately 41% over that of last year. Gross profit was HK$67,989,000 (2005: HK$55,630,000), representing an increase of approximately 22%. The growth in turnover and gross profit was mainly attributable to the Group's entertainment media business. Loss for the year amounted to HK$30,243,000 (2005: HK$7,365,000), and the increase was mainly due to decrease in revenue from financial services of approximately HK$14,437,000, the decrease in net valuation gain in investment properties of approximately HK$6,043,000, impairment of finance lease receivables of HK$6,475,000, impairment of assets of HK$1,977,000 and increase in deferred tax charge of HK$3,937,000. The consolidated net assets decreased from HK$135,064,000 to HK$118,569,000.

BUSINESS REVIEW

The Group has five major business segments currently, namely: (i) Property Investment Segment, (ii) Entertainment Media Segment, (iii) Media Shopping Segment, (iv) Telecommunication Segment and (v) Financial Services Segment.

Property Investment Segment

The Segment recorded a turnover of approximately HK$4,552,000 (2005: HK$3,526,000), representing an increase of 29% when compared to the year 2005. During the year 2006, the Group has acquired the entire equity interest of Million Year Consultants Limited, a company incorporated in British Virgin Islands, which held 20 service apartments in Suzhou, PRC. Among these 20 service apartments, 7 units were leased out as at 31 December 2006 and contributed rental income of HK$126,000 during the post acquisition period to the Group. Details of the acquisition are disclosed in the Company's announcements dated 14 September and 24 October 2006 and circular dated 9 October 2006.

In Hong Kong, the Group has leased out all the properties in Citicorp Centre during the year under review and generated stable income for the Group which amounted to an average monthly rental income of HK$369,000.

Entertainment Media Segment

During the year under review, the turnover of this Segment amounted to HK$121,344,000 (2005: HK$72,153,000) representing a growth of 68%. External sales of this Segment accounted for approximately 91% of the Group's turnover. Gross profit was HK$64,184,000 (2005: HK$39,514,000).

In Hong Kong and Macau, Cellcast (Asia) Limited ("CAL"), which trades under the brand "Yeahmobile", continues to maintain a leading position in the telecommunications value added services ("VAS") industry. CAL continues to offer ring tone, MP3 ring tone, connecting tones, wallpaper, Java games download, sports information, personalized voice mail and community services. CAL also provides Interactive Voice Response platform and WAP based platform for certain mobile network operators and tailor-made mobile platform solution for certain famous corporate clients. However, due to the increased customer sophistications, aggressive pricing and promotion by mobile operators and increased pricing from content owners, the VAS market in Hong Kong continues to consolidate. CAL is combating the problem by means of product and services diversification. In the meantime, it will continue to streamline its operation to improve efficiency.

BUSINESS REVIEW *(continued)*

Entertainment Media Segment *(continued)*

In China, the Group considers the operating environment of the VAS market became very unfavourable, even big players have suffered substantially due to unfavorable policies implemented by China Mobile Communications Corporation. Accordingly, the Group decided to cease this loss-making business by entering into the termination agreement and disposed of its non-wholly owned subsidiary in PRC, i.e. New Power Limited, at the end of December 2006 to a connected person of the Group. Details of this disposal are disclosed in the Company's announcement and circular dated 4 and 23 January 2007 respectively.

In Japan, despite significant revenue and profits contribution from Media Elite Japan Limited ("MEJL"), the heavy dependence on the Japanese partner, Freparnetworks Inc. ("Frepar"), makes this operation vulnerable. Despite the effort made by the Group to establish local management so as to reduce the dependence, the results were not satisfactory. In this connection, the Group has entered into termination agreements on 9 March 2007 and terminated the lease and management of the digital content downloading kiosk with the lessor and Frepar respectively with retrospective effect from 1 December 2006. Details of these terminations are disclosed in the Company's announcement dated 12 March 2007.

In Hawaii, the Group has subsidiaries engaging in content aggregation business for the kiosk machines in Japan. Due to the termination of kiosk business in Japan, the Group has restructured the operation in Hawaii.

Media Shopping Segment

This Segment was established in March 2006 and recorded a turnover of approximately HK$4,818,000 and gross profit of HK$372,000. The operating loss amounted to HK$3,467,000 during the year 2006.

Since the establishment of this division in March 2006, this division has undergone a phrase of development in Guangzhou for the infrastructure necessary for the business. In October 2006, most of the business infrastructures, including merchandising and procurement, customer service centre, warehouse and logistic services, have become operational.

The Group considers the media shopping business in PRC would have good business potential and the media shopping division could generate satisfactory return in the long run.

Telecommunication Segment

During the year under review, the turnover of this Segment amounted to approximately HK$2,562,000 (2005: HK$4,719,000). The loss before impairment of intangible assets of this Segment amounted to HK$547,000 for the year ended 31 December 2006.

Financial Services Segment

During the year under review, this Segment's contribution to the Group was not significant due to significant drop in advisory income from Japan.

BUSINESS REVIEW *(continued)*

Capital

During the year 2006, the Company received several notices from the convertible preference shares holders to convert the outstanding convertible preference shares ("CPS") in aggregate of 1,300,000,000 CPS into ordinary shares.

In March 2007, the Company has issued three redeemable convertible bonds ("CBs") in the amount of HK$5.4 million, HK$7.2 million and HK$20 million respectively with the rights to convert in aggregate of 17,000,000 shares of the Company. The proceeds raised by the issue of these CBs were used for general working capital of the Group and to repay short term revolving loans and other short term obligations. Details of the issue of these CBs are disclosed in the Company's announcements dated 15 and 16 February 2007.

Post Balance Sheet Events

In March 2007, the Company issued three CBs to three independent third parties in the aggregate amount of HK$32.6 million. Details are disclosed in "Capital" section above.

On 9 March 2007, Media Elite Japan Limited, an indirect wholly-owned subsidiary of the Company, has entered into two termination agreements with Quants Inc. and Frepar to terminate the lease and management of the digital content downloading kiosks with retrospective effect on 1 December 2006. Details are disclosed in "Entertainment Media Segment" section above.

Liquidity, Finance Resources, Charges on Group Assets and Gearing Ratio

As at 31 December 2006, the Group had bank balances and cash of approximately HK$12,417,000, bank overdraft and bank loans at approximately HK$46,266,000 and obligation under finance lease at HK$332,952,000. Except for the obligation under finance lease, all debts were borrowed on floating rate basis. The borrowings denominated in Japanese Yen, Hong Kong dollars and US dollars are 87.80%, 12.14% and 0.06% respectively. The finance lease which was borrowed on fixed rate and denominated in Japanese Yen was terminated on 9 March 2007, details of which are disclosed in the "Post Balance Sheet Events" section above.

The Group's current assets as at 31 December 2006 were approximately HK$109,617,000 while the current liabilities were approximately HK$124,866,000. As at 31 December 2006, the Group's current ratio was 0.88 (2005: 1.16).

As at 31 December 2006, the Group has banking facilities totalling approximately HK$69,921,000. All the bank facilities are secured by the Group's investment properties of aggregate net book value of approximately HK$163,001,000 and personal guarantee of a director of the Company and a director of a subsidiary upto the extent of totaling HK$390,000. In addition, the Company and certain of its subsidiaries provide a bank of cross guarantees totaling HK$35,000,000 in respect of a shared banking facility to be used by the Company and these subsidiaries. The Group continues to adopt conservative funding and treasury policies. The Group's gearing ratio, representing the Group's total liabilities divided by the shareholders' funds of the Group, as at 31 December 2006 is 3.59 (2005: 1.37). The gearing ratio increased significantly because MEJL had finance lease payable at HK$332,952,000. The termination of such lease would decrease the gearing ratio to 0.78.

BUSINESS REVIEW *(continued)*

Exposure to fluctuations in exchange rates and related hedges

The Group's turnover, expenses, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, Renminbi and United States dollars. The exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the year under review. Japanese Yen fluctuated significantly during the year. The Japanese Yen borrowings are basically offset with the Japanese Yen finance lease receivables. The Group had not considered it appropriate to substantially hedge currency risk through forward exchange contracts upon consideration of currency risks involved and costs of obtaining such cover. During the year under review, the Group did not use financial instruments for hedging purposes. After the Group terminates its Japan business, the exchange rate risk associated with Japanese Yen becomes minimal. The Group still continues to monitor the exchange rate exposures to various foreign currencies and will take necessary procedures to reduce the fluctuations in exchange rates at reasonable costs.

Contingent liabilities

During the year 2006, the Company has already settled two outstanding litigation cases and there is only one litigation case outstanding. A third party notice was served upon the Company by a bank in 1998 to seek indemnity / contribution from the Company. The Company is alleged to be in default of the co-operative agreement in respect of a corporate guarantee of HK$2,000,000. After obtaining the legal advice from a lawyer, the directors are of the opinion that the case has been dormant for a number of years and is remote, therefore no provision has been made in the financial statements in respect of the alleged claims.

Save as disclosed above, the Group did not have any material contingent liabilities.

Employees of the Group

The Group has adopted competitive remuneration package for its employees according to their performance. There are also contributions to provident fund schemes, medical subsidies, study and examination leaves offered to all full-time staff. As at 31 December 2006, the total headcount of the Group was 99.

Outlook

In view of the high growth potential of property market in Macau, the Group plans to expand the existing operation of the Property Investment Segment and will focus on property-related investment opportunity in Macau.

The Group will continue to streamline the operation and to enhance the profitability of each business segment to promote long term value to our shareholders.