

Turnover of the Group for the year ended 31st December, 2006 was HK\$5,095,847 (2005: HK\$4,144,202) and the profit attributable to shareholders was HK\$10,685,282 (2005: HK\$21,561,356).

## FINANCIAL REVIEW

### Liquidity and Financial Resources

During the year 2006, the Group had paid off all loan payable of HK\$7,500,000. The Group had available funds of HK\$18,715,933 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\$190,444,519 at 31st December, 2006 compared to HK\$169,659,406 at 31st December, 2005.

At present, the Group has unutilised banking facilities of HK\$3,000,000 and requires no significant funding for investment and capital expenditure commitments. 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.

As at 31st December, 2006, the Group had no borrowing (2005: HK\$7,500,000). The gearing ratio for the Group was 0% (2005: 4%) which represents the ratio of the Group's borrowings to the net asset value of the Group.

The Group did not have any capital expenditure commitment as at 31st December, 2006.

### Capital Structure

Pursuant to an ordinary resolution passed at the extraordinary general meeting held on 13th December, 2006, 5 shares of the Company of HK\$0.20 each were consolidated into 1 new share of the Company of HK\$1 each with effect on 14th December, 2006.

The Company had granted share options to six directors and three employees on 17th January, 2006. After adjusting for the effect of share consolidation, the number of share options was 1,016,000. As at 31st December, 2006, no share options has been exercised by the Company's directors and employees and the fair value of the share options so granted as valued by an independent valuer was HK\$908,000 as at the date of grant.

**SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE**

The Group has invested around HK\$44.9 million in listed securities held as financial assets at fair value through profit or loss which consists of HK\$3.2 million of overseas listed securities and HK\$41.7 million of Hong Kong listed securities. During the year, certain listed securities were disposed of with a realised gain around HK\$3.4 million. A fair value gain of HK\$9.5 million was resulted from the listed securities.

As at 31st December, 2006, the available-for-sale financial assets and loans and receivables have been increased by HK\$21.3 million when compared to the last year. During the year, the Group has acquired some investments of which, HK\$9 million related to a trading company, HK\$2 million was invested in a PRC manufacturing company and HK\$2 million was invested in an advanced technology company. The Group has converted a loan of HK\$2 million into equity of an investment holding company. The Group also spent HK\$2 million to increase the shareholding of a private company with an investment of spas and entertainment business in PRC.

As at 31st December, 2006, the accounts receivable and prepayments were reduced by HK\$39.4 million when compared to last year.

**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.

**EMPLOYEES AND REMUNERATION POLICIES**

As at 31st December, 2006, 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 for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management, is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. 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 has granted share options to subscribe for the shares of the Company to the employees of the Company based on their performance and contribution to the Company under the Company's 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, 2006, the Group has no significant contingent liabilities.