

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2005, turnover of the Group amounted to HK\$38,679,000 (2004: HK\$15,207,000). Net profit for the year attributable to the equity holders of the Company was HK\$43,341,000 (2004: HK\$12,709,000) and earnings per share was HK17.32 cents (2004: HK5.74 cents).

During the reporting period, revenue from production and sale of fertilizers amounted to HK\$5,796,000 (2004: HK\$6,420,000), representing approximately 14.98% of the Group's total revenue. Investment in securities shared approximately 60.31% of the Group's total revenue resulting from the disposal of all the Company's equity investments listed in Hong Kong. Rental income from 1 Lyndhurst Tower amounted to HK\$9,557,000 (2004: HK\$8,235,000), representing approximately 24.71% of the Group's total revenue and over 90% of the total gross floor area was leased out.

Following the blossoming of the property market, the revaluation of the investment properties has contributed to a profit of HK\$52,600,000, and the property investment business remains as the largest profit contributor to the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

In September 2005, the Company placed 47,600,000 shares at HK\$0.50 per share and the net proceeds received were of approximately HK\$23,200,000 which was used to invest in a company incorporated in the British Virgin Islands, details of which are stated in Chairman's Statement.

As at 31 December 2005, the Group has current ratio of approximately 0.7 compared to that of 0.16 as at 31 December, 2004 and the gearing ratio was 0.68 compared to that of 1.01 as at 31 December, 2004. The calculation of gearing ratio was based on the total borrowings of HK\$135,970,000 (2004: HK\$134,026,000), and the net assets of HK\$200,324,000 as at 31 December 2005 (2004: HK\$133,509,000). During the year, the bank loans had been restructured for a further five years.

There were no significant capital commitments as at 31 December 2005 which would require a substantial use of the Group's present cash resources or external funding.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are denominated in Hong Kong dollars and Renminbi.

Charge on Assets

As at 31 December 2005, all the Group's investment properties and the issued shares of a wholly owned subsidiary of the Company are pledged and the rental income in respect of the investment properties under operating leases are assigned to banks against bank loans granted to the Group.

Property, plant and equipment of HK\$7,063,000 (2004: HK\$7,252,000) are pledged against a bank loan granted to the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2005.

Employees and Remuneration Policies

As at 31 December 2005, the Group has approximately 31 employees. Remuneration is determined by reference to the qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

Ma Xiaoling

Chairman

Hong Kong, 18 April 2006