

Management Discussion and Analysis



BUSINESS REVIEW

For the year ended 31 December 2006, turnover of the Group amounted to HK\$13,576,000 (2005: HK\$38,679,000). Net profit for the year attributable to the equity holders of the Company was HK\$98,422,000 (2005: HK\$43,341,000) and earnings per share was HK34.41 cents (2005: HK17.32 cents).

During the reporting period, revenue from production and sale of fertilizers amounted to HK\$3,298,000 (2005: HK\$5,796,000), representing approximately 24.3% of the Group's total revenue. Rental income from 1 Lyndhurst Tower amounted to HK\$10,278,000 (2005: HK\$9,557,000), representing approximately 75.7% of the Group's total revenue and over 80% 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\$121,400,000, and the property investment business remains as the largest profit contributor to the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2006, the Group has current ratio of approximately 1.89 compared to that of 0.70 as at 31 December 2005 and the gearing ratio was 0.83 compared to that of 0.68 as at 31 December 2005. The calculation of gearing ratio was based on the total borrowings of HK\$246,946,000 (2005: HK\$135,970,000), and the net assets of HK\$298,988,000 as at 31 December 2006 (2005: HK\$200,324,000).

There were no significant capital commitments as at 31 December 2006 which would require a substantial use of the Group's present cash resources or external funding.

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.

Charges on Assets

As at 31 December 2006, 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\$7,005,000 (2005: HK\$7,063,000) are pledged against a bank loan granted to the Group.

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Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2006.

Employees and Remuneration Policies

As at 31 December 2006, the Group has approximately 51 employees. Remuneration is determined by reference to their 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, 20 April 2007