MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded turnover of HK$1.8 billion and profit attributable to the equity holders of the Company of HK$96.8 million for the six months ended 30 June 2006, representing increases of 8% in turnover and 3.6 times in profit as compared to the same period last year. During the period, the Group recognised excess over the cost of business combinations of HK$228 million arising from privatisation of Wah Shing International Holdings Limited ("Wah Shing") and increase in controlling stake in a joint venture in the People's Republic of China (the "PRC").

Trading and Manufacturing

The trading and manufacturing business continued to be affected by the factors facing manufacturers with production plants in the PRC, i.e. increase in the minimum wages of local workers due to the worker shortage in Southern China, surging raw material prices, and the appreciation of renminbi. Coupled with these factors, the normal seasonal factor of a slow first-half affected our toys manufacturing operations. Overseas clients also delayed their orders more than usual which further concentrated the busy season into a severely short shipping window in the second half of the year.

During the period, the Group successfully privatised Wah Shing, a principal subsidiary previously listed on the Singapore Exchange Securities Trading Limited; and acquired additional interest of 52.8% of Nority International Group Limited ("Nority"), a principal associate listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which then became a subsidiary of the Group. We are now in the process of consolidating and restructuring our manufacturing operations to strengthen our expanded industrial capacity and profitability.

The segment recorded a loss of HK$38.0 million for the first half of 2006, a 30% rise in operating loss as compared to the corresponding period last year, which was also accounted for by the consolidation of the loss attributable to Nority. Overall our manufacturing operations were under-performing, except the footwear manufacturing operation in Tianjin, the award winning best supplier honoured by Wal-Mart that continued to generate steady profit for the period.

Property Investment and Development

Our rental portfolio reported a profit of HK$8.4 million. Most of the tenancies that expired during the period were renewed with higher rental yields. During the period, we disposed one of the investment properties and realised a gain on disposal of HK$5.1 million.

During the period, the Group increased its controlling stake to 87% interest in a joint venture that owns a prime retail site in Yunan North Road, Gulou District, in the centre of Nanjing city, the PRC. We expect a higher rental revenue and profit contribution to the Group as a result of the acquisition.

Travel and Related Services

Buoyed by the improving economy and increasing consumer spending, Hong Kong's travel industry posted a solid 12% increase in air travel in the first half of year 2006. Hong Kong Four Seas Tours Limited ("Fourseas") successfully capitalised on the favourable environment by increasing turnover by 20% when compared to the same period last year. Despite the high growth, the market competition intensified which led to a decrease in gross profit margins. Nevertheless, Fourseas posted a net profit for the first six months of 2006 of HK$11.3 million, a 1.2 times increase as compared with the corresponding period in year 2005.

Securities and Financial Services

Our securities and financial services segment turned around to a profit of HK$9.1 million for the first half of 2006 as compared with a loss in the corresponding period. Commission income from securities and commodities broking benefited from increase in stock turnover. The income from margin financing activities also increased by 50% mainly due to a number of sizable initial public offers launched in the first half of the year.

Media and Publications

Overall it has been a slow beginning for advertising this year with no notable increase in advertising spending in any particular area within our magazine portfolio. Meanwhile, our results were severely affected by the prolonged investment period of several new titles as well as the rising overheads.

Information and Technology

The turnover increased 31% from HK$30.6 million in the first half of 2005 to HK$40.0 million in the first half of 2006 as a result of further growth in the systems integration business. The operating loss was roughly the same as the last year interim.

Agriculture

The agricultural business reported a loss of HK$2.4 million over the period as compared with a loss of HK$4.4 million for first half of 2005. We benefited from some cost savings made in our Guangzhou Lychee farm operations, but due to our expanding winter dates project in Hebei, the business unit is still in its investment period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group had a current ratio of 1.11 and a gearing ratio of 10.5% (31 December 2005: 1.17 and 6.7% respectively). The gearing ratio is computed on comparing the Group's total long-term bank borrowings of HK$161.4 million to total equity of HK$1,540.7 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings.