

OPERATION REVIEW

For the six months ended 30th June 2005, the Group recorded a turnover and a net profit of HK\$362 million and HK\$15 million respectively. After the disposal of 51.8% equity interests in Zhejiang Shaoxing Betung Instrument Company Limited and Zhejiang Shaohong Instrument Company Limited (collectively “Betung”) in December 2004, Betung are treated as associated companies of the Group and their results are not consolidated to the Group. The drop in turnover caused by the deconsolidation of Betung was offset by the substantial increase in the air freight forwarding business of Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. (“ZCIC”). The new management team joined ZCIC in early 2005 succeeded in expanding the air freight forwarding business and pushed the turnover of ZCIC to the historical high.

After the change of some relevant regulations by the PRC Government in early 2005, the clients of Corporate Finance Division postponed their listing schedules and our financial advisory and underwriting income decline according. The lacklustre trading behaviour in the Hong Kong stock market adversely affected the performance of our brokerage team. Both the turnover and operating profit from the brokerage business decreased in the period under review.

In 2002, the Group invested HK\$20 million into a mutual fund established by our Assets Management Division as a seed money. The performance of the fund is encouraging and some professional investors have invested in the fund since 2003. The Group’s investment in the fund is reclassified as financial assets at fair value through profit or loss starting from 2005 and an unrealised holding gain in the fund of HK\$11 million was recognised in the first half of 2005.

The profit margins of RBI Holdings Limited (“RBI”) and Goodbaby Child Products Company Limited (“Goodbaby”) were eroded by the rising production costs in the Chinese Mainland. For the six months ended 30 June 2005, RBI recorded a drop in both turnover and net profit. Since the increase in turnover offset the adverse effect in the profit margin, Goodbaby managed to maintain a satisfactory growth in profit attributable to shareholders.

The market price of the listed investment of China Assets (Holdings) Limited (“China Assets”), Kongzhong Corporation dropped from US\$9.61 as at 31st December 2004 to US\$9.15 as at 30th June 2005. A net fair value loss of US\$1.4 million was incurred and China Assets recorded a operating loss in the review period.