PROSPECTS

Activity in the stock market soared dramatically from July 2005. We expect that the investment environment will remain positive for the remaining 2005, given the tame inflation outlook for the US economy, the resilient Chinese economy and the continued recovering of the Hong Kong economy. The speculation on the Renminbi revaluation may persist, leading to fund flow into the local market. The listing of the major state owned banks in the remainder of the year will further push up the trading records and our Brokerage Division will benefit from the improvement in market sentiments. Two of our Corporate Finance Division's clients planned to list in the Hong Kong stock market before the year end. It will bring a reasonable contribution to the Group.

Following the rapid development in the air freight forwarding business, ZCIC will focus on controlling its operating cost to improve the profitability. As part of the cost saving plan, ZCIC had constructed its own warehouse in the Pudong Airport.

The Group had sold 37 million shares in RBI at a consideration of HK$57.7 million recently and the shareholding in RBI decreased from 19.95% to 11.08%. Although the increase in cost of raw materials will continue to affect the profit margin of RBI and Goodbaby, we believe that these two investments will provide reasonable returns to the Group.

Chinese Mainland's economy remains robust and the performance of the industrial business still grows steadily. We are confidence that our various investments in different business sectors in Chinese Mainland will bring good contributions to the Group. The commencement of operation of Kunshan Traders Hotel in October will further improve the Group's results and cashflows in future. We are looking forward to share our achievement with the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Profit after taxation for the six months ended 30th June 2005 was HK$15 million, a decrease of 38% over the same period in 2004. Basic earnings per share decreased to HK1.27 cents, down 38%.

Turnover of the Group for the period under review increased by 21% to HK$362 million as compared to HK$300 million for the same period last year.

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operation and investment activities. Bank loans will be raised in occasion to meet the different demands in our various investment projects. As at 30th June 2005, the Group raised bank loans and incurred overdraft of approximately HK$92 million and is holding approximately HK$147 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 7%. Investment in financial assets at fair value through profit and loss as at 30th June 2004 amounted to approximately HK$93 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. We expected that Renminbi will appreciate in a stable pattern in future. The Group has no significant exposure to other foreign exchange fluctuations.

Employees

As at 30th June 2005, the Group employed 1,029 (30th June 2004: 1,978) staff, of which 936 are located in Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary. The staff costs for the six months ended 30th June 2005 amounted to approximately HK$52 million.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK$79 million as at 30th June 2005 (31st December 2004, as restated: HK$80 million) as well as fixed deposits of HK$15 million (31st December 2004: HK$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK$159 million (31st December 2004: HK$84 million) granted to the Group.

Contingent liabilities

As at 30th June 2005, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2004: Nil).