

It seems that the implementation of reduced minimum securities trading spreads in July 2006 has adverse effects to the investors' trading activities. Compared to the first half of 2006, the average daily turnover of the Hong Kong Stock Exchange decreased in recent two months. Furthermore, competition in the industry especially the aggressive participation from banks is a great challenge to our Brokerage Division. Despite the foreseeable difficulties, we are confident that our experienced professional brokerage team can perform in line with the market performance. Contribution from Corporate Finance Division will improve in the second half of the year as applications for listing of several clients are come to the final stage. We expect one to two of them will be listed in the Hong Kong Stock Exchange before the year end.

To retain profitable, ZCIC is now emphasizing in cost control and certain restructure plan may be carried out to reduce the operating cost.

Managed by Shangri-La hotel management group, Kunshan Hotel is building good reputation in the region. The room occupancy rate is beyond our expectation due to the growth in corporate clients. We feel comfortable with the recent development pace of Kunshan Hotel and believe that it will contribute reasonable return to the Group in future.

After disposal of our investments in Geoby, the management is actively seeking various investment opportunities in the PRC to ensure the Group retains sufficient high potential assets to generate satisfactory return in future.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30th June 2006, the Group recorded a profit attributable to shareholders of approximately HK\$90 million, representing an increase of five times over the same period of 2005 of approximately HK\$15 million. Basic earnings per share attributable to the shareholders of the Company grew from HK1.27 cents in 2005 to HK7.60 cents in 2006. Turnover of the Group is approximately HK\$872 million, which recorded an increase by 141% over the same period of 2005.

Disposal of a jointly controlled entity

On 7th November 2005, the Company entered into two conditional agreements for the sales of its entire interest in Geoby to Pacific United Development Limited (ultimately controlled by the management team of Geoby) and G-Baby Holding Limited (a third party independent of the Company), at a consideration of US\$1,544,399 and US\$58,032,683 respectively. The transaction was completed in January 2006, thereafter the Group has no interest in Geoby and has recorded a gain of approximately HK\$102 million in the interim results.

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various investment projects. As at 30th June 2006, the Group had raised bank loans of approximately HK\$186 million and held approximately HK\$433 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 12%. Investment in "financial assets at fair value through income statement" as at 30th June 2006 amounted to approximately HK\$159 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.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$95 million as at 30th June 2006 (31st December 2005: HK\$96 million) as well as fixed deposits of approximately HK\$48 million (31st December 2005: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to approximately HK\$200 million (31st December 2005: HK\$45 million) granted to the Group.

Employees

As at 30th June 2006, the Group employed 1,544 (30th June 2005: 1,029) staff, of which 1,452 are located in Chinese Mainland. Employees' 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 of the Group for the six months ended 30th June 2006 amounted to approximately HK\$102 million.

Contingent liabilities

As at 30th June 2006, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK\$0.02 (2005: Nil) per ordinary share, totaling approximately HK\$23,701,000 (2005: Nil).