

CAPITAL STRUCTURE

The Group had no debt securities or other capital instruments as at 30 June 2006 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

1. During the period, the Group acquired an additional 29.6% interest in Wah Shing at a total consideration of HK\$71,632,000.
2. During the period, the Group acquired an additional 52.8% interest in Nority at a total consideration of HK\$67,310,000.
3. During the period, the Group acquired 87% of the Transferred Net Assets in 南京微分電機廠 at a consideration of RMB41,655,600. Details of the transaction were set out in the circular of the Company dated 14 June 2006.

PLEDGES OF ASSETS AND CONTINGENT LIABILITIES

There was no material change in the Group's pledges of assets and contingent liabilities as compared to those disclosed in notes 39 and 40 to the most recent published audited financial statements.

EMPLOYEES

As at 30 June 2006, the total number of employees of the Group was approximately 32,200. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market.

In addition to salary, other fringe benefits including medical subsidies, provident fund and subsidized training programmes are offered to all employees of the Group. Individual employee may also receive a discretionary bonus at the end of each year based on performance. The Company adopted an employee share option scheme which came into effect on 18 June 2002.

PROSPECTS

Trading and Manufacturing

We are seeing stronger second half-year orders from clients for our trading and manufacturing operations. The performance of Wah Shing should improve accordingly and the shoe manufacturing in Tianjin is expected to have good results in the second half of the year as well.

In addition, we anticipate that the operating loss of the manufacturing of athletic and leisure shoes will be contained in the second half-year since our management has taken over control of Nority in May 2006. We are making our best efforts to minimise costs and solicit more orders.

Property Investment and Development

The Group will further benefit from the rising local market demand for office space on renewal of leases of our commercial properties that are due to expire in the second half of the year.

The property development project of a prime retail shopping complex in Shenyang with a gross retail rental floor areas of approximately 130,000 square meters is underway and the pre-construction work is expected to commence later this year. The Group will continue to seek property projects in prime locations in the PRC with high development potential.

Travel Business

Fourseas will continue to build upon the positive performance in the first half of the year. Various additional revenue sources are being tapped, including new products and new services. We intend to expand into the PRC market and preliminary discussions are in progress.

Information Technology

The information technology operation will further expand in the provision of services and software development. It will not only provide steady and recurring revenue stream but also enhance the profit margin of the business unit. We are still investigating the possibility of a listing in London's Alternative Investment Market and other similar exchange.

Agricultural Business

Recent rising prices in agricultural produce are generally a good sign for our business units. We are optimistic that the recent trend will benefit our freshwater produce which harvests in the fourth quarter, but remain cautious for our fruit products that harvest next year. Overall, we are still looking to expand acreage in Hebei as acquisition is still cheap, and may consider other Northern provinces in the PRC in the future.

We are exploring the possibility of deploying our agricultural lands for the other purposes in order to create more values and returns to our shareholders.