

BUSINESS REVIEW AND FUTURE PROSPECTS

The Central Government of China continued to tighten its macro economic control measures. Privately-owned enterprises as a whole faced a liquidity squeeze and, as a consequence, posed very difficult operating environment to our two unlisted investments, 北京綜藝達 and 南通藝能達. We will continue to monitor the performance of these two investments closely and will review by year end whether further provision on impairment of these two investments is called for.

The Board has maintained tight cost control and the administrative expenses were further reduced by 8% to HK\$1,833,000 for the six month period ended 30 June 2006.

No new direct investments were made by the Group. The Group has become more active in short term trading in the Hong Kong Stock market, which has produced positive results excluding the fair value loss incurred on Jiangsu Nandasoft Company Limited. The financial markets have been extremely volatile in the first half of 2006 and expected to remain so for the remaining months in 2006. Accordingly, the Group will continue to maintain a rather conservative short term trading policy.

Despite the difficulties the Group is facing largely due to the under performance of the two direct investments, the Board remains confident on the long term growth prospects of the China market and will continue to seek investment opportunities related to China to enhance shareholder return.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

Interests and short positions in the shares, underlying shares and debentures of the Company

Name of Director	Type of interest	Long position/ short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Francis J. Chang Chu Fai	Beneficial interest	Long position	1,355,000	1.3%
Mr. Lim Siang Kai	Beneficial interest	Long position	1,355,000	1.3%
Mr. See Lee Seng, Reason	Beneficial interest	Long position	1,355,000	1.3%

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Save as disclosed above, as at 30 June 2006, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Name of shareholder	Type of interest	Long position/ short position	Number of ordinary shares held	Total no. of ordinary shares held	Percentage of the Company's issued share capital
Zhang Yunxia (Note a)	Interest of controlled corporation	Long position	22,760,000	22,760,000	21.59%
Profitone Company Limited (Note a)	Beneficial owner	Long position	22,760,000	22,760,000	21.59%
Lee Wing Ngai (Note b)	Beneficial owner	Long position	3,690,000	5,660,000	5.37%
	Interest of spouse	Long position	1,970,000		
Wong Wai (Note b)	Beneficial owner	Long position	1,970,000	5,660,000	5.37%
	Interest of spouse	Long position	3,690,000		
Leung Kin Keung (Note c)	Beneficial owner	Long position	8,768,000	9,110,000	8.64%
	Interest of spouse	Long position	342,000		
Fung Pui Ming (Note c)	Beneficial owner	Long position	342,000	9,110,000	8.64%
	Interest of spouse	Long position	8,768,000		

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

- a. By virtue of the SFO, Ms. Zhang Yunxia is deemed to be interested in 22,760,000 shares in the Company. These shares are held by Profitone Company Limited, a company incorporated in the BVI with limited liability and is beneficially owned by Ms. Zhang Yunxia.
- b. These shares are held by Mr. Lee Wing Ngai and his spouse, Ms. Wong Wai.
- c. These shares are held by Mr. Leung Kin Keung and his spouse, Ms. Fung Pui Ming.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2006.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “SO Scheme”) on 7 October 2002 (the “Adoption Date”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the SO Scheme include any persons being employees, officers, agents, consultants or representatives of the Group. The SO Scheme became unconditional on 28 October 2002 upon the listing of the Company’s shares on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

During the six months ended 30 June 2006, no share option has been granted, and as at 30 June 2006, the Company has no outstanding options.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company’s listed securities during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2006.