

BUSINESS REVIEW AND PROSPECTS

PROPERTY INVESTMENT

The quality serviced apartments of the Group in Yangpu District, Shanghai generated rental income of HK\$12,930,000 for the Current Year (2005: HK\$10,812,000), an increase of 19.6%.

The Group acquired 50% equity interests of the Shanghai Underground Centre Co., Ltd. ("SUCCL") in 2005. SUCCL generated operating revenue of HK\$41,935,000 in the Current Year. Located in Shanghai's transportation hub, the SUCCL has a gross floor area of approximately 10,000 square meters with an underground plaza and shopping lanes accommodating 96 shops.

The commercial building (the "Building"), which was acquired by the Group in April and November 2005, has recorded a rental income of HK\$3,146,000. The Building is located in the Deng Shi Kou Main Street, Wangfujing, Dong Cheng District, Beijing, next to the important state governmental offices including the Municipal Committee of the Communist Party, the Ministry of Foreign Trade and Economic Cooperation and the Central Administration of Civil Aviation of China. It is also close to the National Palace Museum, the Great Hall of the People and high-class hotels such as the Wang Fujing Grand Hotel, the Grand Hotel Beijing, and the Holiday Inn Crowne Plaza. Being a premium commercial building in the City, it commands favorable geographic advantages as being located in the political and economic centre of the capital. The third to twelfth floors of the Building with a gross floor area of 5,807.57 square meters are for office use. The Building features an underground car park occupying two storage with a gross floor area of 6,113.61 square meters. Current occupancy rate of the Building is approximately 70%, and the shopping mall has been fully let, with majority of the tenancies extending for ten years. Most of the 160 plus tenants on the third to twelfth floors are foreign enterprises and joint venture companies.

Furthermore, the Group reached an agreement with Shanghai Yangmin Hotel on 13 July 2006 to terminate the acquisition of a land lot with an area of approximately 4,902 square meters. Yangmin Hotel has repaid the Group the initial deposit of RMB67,281,600 together with interest accrued for the period between 3 August 2005 to 13 July 2006 computed at an annual interest rate of 5%.

INVESTMENT OPERATIONS IN MINING RESOURCES

In June 2006, the Zhongxiang City People Government, Hubei Province has undertaken to grant the Group the exclusive mining rights for mining of approximately 29,000,000 tons of phosphate in the Zu Bao Fo Mining District in Phosphate Mining Town in Zhongxiang City, Hubei Province, with an estimated annual output of 500,000 tons for a term of 60 years. The Group has set up a wholly owned subsidiary, mainly for the construction of a diammonium phosphate production line with an annual output of 200,000 tons in Zhongxiang City, Hubei Province. The estimated investment for the project is RMB100,000,000 of which approximately RMB80,000,000 will be used for the acquisition and installment of production facilities and RMB20,000,000 as working capital. The expected production of 64% pure diammonium phosphate binary compound phosphate fertilizers will generate additional revenues for the Group apart from its main operations.

TRAVEL RELATED OPERATIONS

During the year ended 30 June 2006, the Group's travel related operations recorded a turnover of HK\$82,176,000 (2005: HK\$111,255,000), representing a decrease of 26.1% as compared with last year.

The revenue recorded by the travel related operations of the Group was mainly attributable to the successful acquisition of 60% equity interests in Gainnew Group Limited in March 2005. Changes in the ownership of the cruiser liner led to the termination of the casino - onboard of the cruiser liner by the end of September 2005 and related operations of the Group. However, Mr. Benny Ki reached a settlement agreement with the Group on 19 October 2005 pursuant to which, Mr. Benny Ki made a cash payment of HK\$52,500,000 to the Group, and the convertible note in an aggregate amount of HK\$22,500,000 was cancelled, which generated a remarkable income to the Group for the Current Year.

FINANCIAL REVIEW

The Group's turnover for the Current Year amounted to HK\$98,713,000 (2005: HK\$122,067,000), representing a decrease of 19.1% as compared with last year. Such decrease is mainly attributable to termination of the business in Omar III in September 2005, due to the change of ownership of Omar III. Loss attributable to shareholders amounted to HK\$11,205,000 (2005 (Restated): HK\$67,066,000), representing a decrease of 83.3% from last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, total assets and net assets of the Group were HK\$582,155,000 (2005 (Restated): HK\$479,697,000) and HK\$261,434,000 (2005 (Restated): HK\$264,284,000) respectively, representing an increase of 21.4% and a decrease of 1.1% as compared with last year respectively.

As at 30 June 2006, the Group had cash and deposits in banks totalling approximately HK\$1,489,000 (2005: HK\$371,000), representing an increase of HK\$1,118,000 compared with last year. The Group's net current liabilities were HK\$116,300,000 (2005: net current assets of HK\$906,000), a decrease of HK\$117,206,000 as compared with last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 30 June 2006, the Group's outstanding bank borrowings amounted to HK\$145,631,000 (2005: HK\$141,509,000), all repayable on demand. The gearing ratio (total borrowings/total assets) was 39.5% (2005: 39.8%).

The Group's business are mainly in the PRC and Hong Kong, though the foreign exchange system of Renminbi was reformed in the Current Year, leading to the appreciation against the Hong Kong dollar, yet as the appreciation was orderly, the Group did not have material risk in foreign exchange fluctuation and there was no corresponding provision for hedging. The Group had not used any financial instruments for hedging against foreign currency investments.

CONTINGENT LIABILITIES

As at 30 June 2006, the Group did not have any material contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 30 June 2006, the Group's bank borrowings were secured by its investment properties with a carrying value of HK\$191,262,000.

EMPLOYMENT REMUNERATION POLICY

As at 30 June 2006, the Group had a total of 16 employees in the PRC and Hong Kong. The staff costs for the year amounted to HK\$7,611,000 (2005: HK\$7,794,000). To maintain competitive remuneration packages, the salary and bonus paid to staff are based on their individual performance.