BUSINESS REVIEW *(continued)*

Property & Hospitality Division *(continued)*

Nanjing Dingshan Garden Hotel, Nanjing, China (continued)

With the transition smoothly taking place, occupancy is expected to return to normal shortly. Accordingly, it is anticipated that the hotel will generate a better contribution to the Group in the long run. In order to fully realize the expected positive results of this investment, the Group is continually exploring an acceptable programme with its mainland partner to resolve and undertake the stalled work on the unfinished rooms.

Shanghai Garden City, Shanghai, China

The second phase of the development of Shanghai Garden City was completed subsequent to the period under review, providing a total saleable area of approximately 15,000 square meters. Market response has been very encouraging despite the new wave of government policies and measures to curb property speculation. Of the total 122 apartments and 10 shops, 119 units and 3 shops were sold at satisfactory prices. The Group's share of the sales result will be reflected in the next half of the year.

Following the satisfactory completion of the Shanghai Garden City and in light of its amicable relationship with its China partner, the joint venture is now aggressively looking for new potential projects in Shanghai.

Trading Sales and Contract Works

The project-based sales remained weak and only a few projects were undertaken during the six months period ended 30th September, 2006. At the same time, profit margins were narrower than expected due to a combination of factors including higher labour costs caused by unexpected overtime work and additional material costs due to unforeseen price increases. Although the interim result for this division is negative, its performance has improved when compared to the same period of last year. This could be attributed to stringent cost control measures adopted on ongoing contracts and cutting down on its administrative expenses.

FINANCIAL POSITION

The financial position of the Group remained healthy as bank and cash balances exceeded total bank borrowings. The gearing ratio, representing the ratio of total bank borrowings to total assets, was 1.28% (31st March, 2006: 1.66%)

All financial borrowings of the Group and the majority of income and expenses of the Group are dominated either in Yuan or Hong Kong Dollar. Hence the Group's exposure to fluctuations in the exchange rate is considered to be minimal and there is seldom the need to make use of financial instruments for hedging purposes.

As at 30th September, 2006, the Group had HK$50 million net current assets in hand. This forms a solid foundation for the Group's forthcoming expansion and development.