

MANAGEMENT DISCUSSION AND ANALYSIS

Performance review

The Group's overall revenue for the six months ended 31 October 2006 had slightly eased to approximately HK\$103 million, representing a decrease of roughly 1.3% as compared to that of HK\$104.3 million for the six months ended 31 October 2005. The decrease is mainly due to the discontinued operation of the bakery, and other food and beverage operation. Total operating expenses of the Group slightly increased from approximately HK\$115.9 million for the six months ended 31 October 2005 to approximately HK\$120.5 million for the six months ended 31 October 2006. The Group recorded a net loss attributable to shareholders of approximately HK\$14.8 million for the six months ended 31 October 2006, as compared to that of HK\$13.8 million for the six months ended 31 October 2005.

Operation Review

Continuing operation

Consumer Finance Business

The completion of the Group's acquisition of its interest in Beijing Shun Tong Consumer Finance Limited ("Beijing Shun Tong") in April 2006 brought in income from providing pawn loans to consumers in the PRC. Following the completion, the Group has implemented management restructuring in Beijing Shun Tong to lay the ground work for future growth. The consumer finance business recorded a segmental profit of approximately HK\$266,000. The Group expects to increase its presence nationwide focusing on locations with ease of access by customers and Beijing Shuntong is expected to make meaningful contribution to the Group in due course.

The Group expects to pursue further business and investment opportunities in the smart-card payment business, in consumer finance and other high-growth consumer-related business in the PRC.

Restaurant Business

After the discontinued operation of the bakery, and other food and beverage business, improvement can be seen in the revenue of the Group's restaurant business which amounted to approximately HK\$102.3 million in the six months ended 31 October 2006 from HK\$101 million (restated after the discontinued operation of the bakery, and other food and beverage operation) in the six months ended 31 October 2005. However, it was offset by rising material costs and labour costs and resulted in a segmental loss of HK\$7.2 million in the six months ended 31 October 2006, up from HK\$3.4 million in the six months ended 31 October 2005. The Group would continue to implement cost controls to minimize rising costs.

Discontinued operation

Bakery, and other food and beverage business

The bakery operation was discontinued with the cessation of the operation of our bakery factory in Dongguan, PRC in November 2005 as the operation had incurred substantial losses.

SEASONAL/CYCLICAL FACTORS

The sales volume during festive periods is normally higher than the sales volume in the slack periods of the year.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity, financial resources and exchange rate fluctuation exposure

The Group had unaudited consolidated shareholders' funds of approximately HK\$138.2 million (30 April 2006: HK\$153.3 million) as at 31 October 2006. The Group's current ratio improved from 2.9 as at 30 April 2006 to 3.6 as at 31 October 2006 and no meaningful gearing ratio, for the Group had no bank borrowing as at 31 October 2006. As at 31 October 2006, the Group's cash and cash equivalents decreased from approximately HK\$139.4 million as at 30 April 2006 to approximately HK\$82.5 million. This was mainly attributable to the organization restructure and deposits made in respect of new investing opportunities. Since the majority of the Group's sources of income and bank balances are denominated in Hong Kong dollars, the Group has minimal exposure to exchange rate fluctuations.

Treasury policies

The group generally finances its ordinary operations with internally generated resources. The interest rates of most of the borrowings, if applicable, are charged by reference to the prevailing market rates.

Contingent liabilities

The Group has contingent liabilities in respect of possible future payments to employees under the Employment Ordinance with a maximum possible amount of approximately HK\$1.3 million (30 April 2006: HK\$1.3 million) as at 31 October 2006. As at 31 October 2006, corporate guarantees were provided by the Company to landlords in respect of the operating lease payments of its subsidiaries.

Capital Commitments

As at the balance sheet date of 31 October 2006, the Company had a capital commitment of HK\$7.55 million being the consideration of a purchase of a real property, which has since been met from the internal sources of the Company plus a mortgage loan of HK\$5.285 million from Shanghai Commercial Bank Limited in Hong Kong (As at 30 April 2006: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 October 2006, the Group had 621 (30 April 2006: 640) employees in Hong Kong and the PRC. The Group has not experienced any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare, share options and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 31 October 2006, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principle and practice adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements.

The Audit Committee comprises of three Independent Non-executive Directors, namely, Fung Ka Keung David, Lee G. Lam and Wong Man Ngar Edna.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the six months ended 31 October 2006 with certain deviations which have been disclosed in the Corporate Governance Report in the immediately preceding 2006 Annual Report plus the following change since then, which deviated from the Code:

In accordance with the code provisions, the roles of chairman and chief executive officer ("CEO") should be performed by different individuals. Since September 2006, Vong Tat leong David, who is director and CEO of the Company, has also carried out the responsibilities of the chairman of the Company. The Board considers the present structure is more suitable to the Company for it can provide strong and consistent leadership and allow for more efficient formulation and implementation of the Company's development strategies.

By order of the Board
Vong Tat leong David
Executive Director

Hong Kong, 29 January 2007

As at the date of this report, the board of the Company comprises three executive Directors, namely: Vong Tat leong David, Wong Chi Man and Xu Siping; and three independent non-executive Directors, namely: Fung Ka Keung David, Lee G. Lam and Wong Man Ngar Edna.