

PROPOSED BONUS ISSUE OF SHARES

The Board recommends a bonus issue of shares to the shareholders of the Company on the basis of 1 bonus share for every 1 existing share held by such shareholders. The bonus issue will be conditional upon (a) the approval of the shareholders of the Company at an extraordinary general meeting of the Company to be convened; and (b) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the bonus shares. After fulfilment of the conditions mentioned above, the bonus shares will be issued at par, credited as fully paid-up, and will rank *pari passu* in all respects with the shares then in issue except that they will not rank for the bonus issue mentioned herein. Details of the proposed bonus issue will be contained in a circular of the Company to be despatched to shareholders as soon as practicable.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

During the Period, the Company recorded a turnover of HK\$22,624,654 (2005: HK\$22,012,188), representing an increase of approximately 2.78%; and a net profit attributable to shareholders of HK\$6,187,100 (2005: HK\$4,631,600), completing a third consecutive half-year of positive earnings since the Company first turned profitable for the half year ended 31 December 2005.

The net asset value (“NAV”) per share of the Company was HK\$0.387 as at 31 December 2006, an increase of 26.88% over the same period last year.

The Board resolved not to recommend the payment of any interim dividend for the Period. The Board further resolved to recommend the issue of bonus shares to shareholders by way of capitalization of the Company’s share premium account on the basis of one bonus share for every one share held by the shareholders of the Company. The Board believes the issue of bonus shares is a return to our shareholders for their long term support to and care of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Overview and Prospects

During the Period, the Company continued the momentum of profitable growth from the previous financial year. First of all, the Company issued 114,640,909 bonus shares on 27 July 2006 by way of capitalization of the Company's share premium account. The bonus shares began dealing on the Stock Exchange on 1 August 2006, and enlarged the total number of shares issued and traded on the Stock Exchange to 229,281,818. Secondly, in order to further strengthen our financial resources, the Company entered into a top-up subscription agreement on 9 August 2006 under which the Company placed 22,900,000 new shares at a price of HK\$0.40 per share. The net proceeds from the placing were approximately HK\$8.86 million.

According to figures published by the Asian Private Equity 300, China was the most favoured investment destination for private equity in the first half of 2006, with more than a five-fold surge in private equity investment to US\$4.71 billion from US\$731 million in the same time in 2005. The Company was well positioned as an ideal platform for overseas investors to participate in private equity or other alternative assets investments in China, as the Company is already listed and offers both transparency and liquidity to an otherwise tightly regulated investment environment. As a result, the Company received enquiries from sophisticated investors to acquire or invest in our private equity portfolio, and there seemed to be more opportunities for the Company to structure exit scenarios for our investments given the rising interests in private equity deals in general.

The Company took advantage of the high entry barriers to China's private equity investments, particularly in the highly regulated financial services and telecommunications/media/technology sectors ("TMT"), and focused on seeking divestment opportunities for our existing investment portfolio, while being very selective in the identification and sourcing of new investment opportunities. Our efforts were mainly targeted at accelerating the growth of our portfolio companies, by assisting them in seeking independent listing and/or arranging additional financial resources to fuel their rapid business development. The maturing operating status of these portfolio companies has begun to attract interest from strategic as well as financial investors and the Company expects potential divestment opportunities to rise in future.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Overview and Prospects (Continued)

In October 2006, the Company entered into a sale and purchase agreement with a China based independent operator where the Company sold our 12% stake in Mellow Counterfeit Technology Company Limited, signaling the first in a series of divestment activities within our private equity portfolio.

In addition to our private equity investments, the Company also increased its weighting on its listed equities portfolio in order to capitalize on the booming equities market in Hong Kong. We have been highly selective in the identification of listed companies undergoing significant corporate events such as mergers and acquisitions, new shares placements, or pre-IPO activities. This strategy was essential and consistent with our overall focus on private equity investments in the TMT and financial sectors as our allocation on listed equities provided us with the ability to quickly liquidate our assets and support our private equity portfolio when needed, as well as to build a working relationship with listed issuers who may become potential acquirers of our private equity projects.

Overall, the Company maintained a balanced portfolio of investments in both listed and unlisted securities. The Company continued to work closely with the management of our private portfolio companies, as a crucial part of our investment management approach, aligning the interests of the investors and the investees, as well as strengthening the depth of our industry expertise in the TMT and financial services sectors to source, invest, and manage our investments.

Looking forward, the Company will seek to expand our scope of investments in private equity to another high growth area in China, namely the consumer, leisure and lifestyle sector. The Company believes that our existing portfolio in financial services and TMT has laid a solid foundation in our ability to source quality deals, mobilize management and operations resources to evaluate investment opportunities, as well as to create synergy and structure exit scenarios for and among our portfolio companies. Therefore, it will be beneficial for the Company to start building another area of expertise in evaluating and capturing investment opportunities in the consumer markets as China prepares for the Olympics Games in Beijing in 2008 and World Expo in Shanghai in 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Investment Portfolio

The following paragraphs summarizes the recent status of the major investments in our portfolio:

China SMS Group Limited ("China SMS")

The Company currently holds a 10% interest in China SMS, which is an ensemble of China and Hong Kong based Internet companies providing value-added multimedia products and services. Its primary business segments include corporate based SMS services as well as wireless data services and commercial enterprise solutions. China SMS was profitable during the Period.

CNI Bullion Limited ("CNI Bullion")

The Company owns a 30% interest in CNI Bullion. CNI Bullion is a member of the Chinese Gold and Silver Exchange Society and was formed in March 2005 by a group of experienced bullion practitioners. CNI Bullion's services include the trading of London Gold, local Hong Kong Gold and London Silver; providing the latest news of major financial markets; and also other ancillary value-added services including price alerts through instant mobile phone messaging. CNI Bullion turned profitable in 2006 and has distributed cash dividend to the Company, representing a 5% return on our investment since its inception.

Ferndene Limited ("Ferndene")

Subsequent to the end of the Period, the Company disposed of its 7.97% interest in Ferndene. Ferndene was incorporated as a privately held investment fund to organize, operate and manage government designated Internet cafes in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Investment Portfolio (Continued)

Intellect Enterprise Limited (“IEL”)

IEL is a wholly owned subsidiary of the Company with an objective to invest in expansion stage software and Internet companies targeted at China’s rapidly growing online and wireless population. Among its portfolio are companies engaged in the development, licensing, and distribution of content such as online computer games, educational software, travel and hospitality information, mobile data, and online advertisements. Through IEL’s portfolio, the Company’s business partners have access to tens of millions of Internet and mobile users in China, and hence making it an attractive acquisition target for many overseas operators and investors who wish to establish a presence in China’s exciting internet and mobile market. Due to the growing demand for pre-IPO investment opportunities in technology companies from China, the Company has been approached by a number of investment banks and private equity investors who proposed to list some of the portfolio companies overseas to further expand our collective capabilities to acquire synergistic businesses into the portfolio. IEL is therefore well positioned to benefit from an influx of foreign capital eager to invest into China’s information technology, telecommunications, and media businesses, where the Company has established a history of successful track record.

Quidam Assets Limited (“Quidam”)

As of 31 December 2006, the Company owns approximately 15% interest in Quidam Assets Limited. Quidam’s subsidiary Orbrich (China) International Factors Company Limited (“OIF”) is currently the only wholly foreign-owned financial guaranty and factoring company in China. OIF is licensed by the Tianjin Government and the PRC Ministry of Commerce to provide factoring services that include financing, sales ledger administration and debt collection. It serves companies all over China through its four factoring hubs located in Tianjin, Shanghai, Chongqing and Hong Kong (in preparation). Subsequent to the Period, the Company increased our equity stake in Quidam to 19.9%.

Investments in Securities

The Company continued to pursue its strategy of investing part of its resources in listed securities as a risk diversification tool and to provide liquidity as needed. Our allocation of financial resources in the listed equities markets enabled the Company to capture the growth in listed equities for the Period.