

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

CORPORATE RESULTS

Turnover for the six months ended 30th June, 2004 was HK\$35,837,000 as against the turnover of HK\$43,592,000 for the corresponding period of 2003. Profit attributable to shareholders was HK\$5,540,000 as compared to HK\$226,000 for the corresponding period of the year 2003, representing an increase of HK\$5,314,000.

DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2004 (2003: Nil).

FINANCIAL REVIEW

Borrowing and Charge on Group Assets

The Group's funding policy is to finance the business operations with internally generated cash and bank facilities. The Group's total bank and other loans amount to approximately HK\$8 million as at 30th June, 2004 (31st December, 2003: HK\$150 million), in which the total HK\$8 million (31st December, 2003: HK\$141.4 million) was payable within one year and was secured. The Group's borrowings were denominated in Hong Kong dollars and U.S. dollars.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

Gearing Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2004 was 9% (31st December, 2003: 205%).

Current Ratio

The Group's current ratio as at 30th June, 2004 was 0.90 (31st December, 2003: 0.31).

Exchange Rate

The Group was not exposed to material exchange rates fluctuations during the period.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

FINANCIAL REVIEW (Continued)

Pledge of Assets

At the reporting date, the Group's investment properties, listed investments, bank deposits and machinery with an aggregate net book value of approximately HK\$57.8 million (31st December, 2003: HK\$199.7 million) together with the properties of the Company and its subsidiaries were mortgaged or pledged to the Group's bankers and licensed financial institutions to secure banking facilities, margin trading facilities, overdraft and revolving loan facilities and bank loan facilities to the Group and its subsidiaries to the extent of approximately HK\$51.7 million (31st December, 2003: HK\$182.3 million) and HK\$0.8 million (31st December, 2003: HK\$ 118.8 million) respectively.

Contingent Liabilities

As at 30th June, 2004, the Company had not given guarantees to banks in connection with facilities granted to its subsidiaries (31st December, 2003: approximately HK\$123 million).

Capital Commitments

The Company had no capital commitments as at 30th June, 2004 (31st December, 2003: approximately HK\$9.7 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, the Company and Mr. Dennis Chiu, a director of the Company agreed to dispose of their entire interests in Tang City Properties Pte Ltd. to a wholly-owned subsidiary of Far East Consortium International Limited. The disposal was completed on 16th February, 2004.

On 21st April, 2004, the Company and Mr. Deacon Chiu, a director of the Company, entered into a conditional sale and purchase agreement pursuant to which the Company has agreed to sell Laichi Kok Amusement (Haimen) Co. Ltd., a wholly foreign owned enterprise incorporated in the People's Republic of China which is wholly-owned by the Company, to Mr. Deacon Chiu. The disposal was completed on 21st June, 2004.

Save as disclosed above, there were no material acquisition and disposal of subsidiaries and associated companies by the Group.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

BUSINESS OVERVIEW AND OUTLOOK

The Group's net profit for the period rose by HK\$5.3 million compared with the first half of 2003. Earnings per share were 1.7 HK cents (2003: 0.07 HK cents), representing an increase of 1.63 HK cents when compared with the corresponding same period in last year.

The Group's overall results was improved due to the share of profit of an associate, Chinasoft International Limited ("Chinasoft"), which was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in the first half of 2003. The operational results of Chinasoft has achieved substantial growths in terms of both turnover and net profits. Its e-tobacco and e-Audit solution won substantial contracts from the State Tobacco Control Bureau and the National Audit Office in the People's Republic of China.

In terms of non-operating income, approximately HK\$1 million disposal gain was recorded from the disposal of investment property at Hunghom Commercial Centre. The investment property was formerly used for cinema operation, an entertainment and leisure-related business. The Group ceased its cinema operation in July 2000 and since then the investment property was left vacant. We are in the view that the disposal of the investment property is in the interest of the Group as the disposal provided an opportunity for the Group to realize its non-core assets at reasonable market price.

Following the disposal of Tang City Properties Pte. Ltd. and Laichi Kok Amusement (Haimen) Co. Ltd in December 2003 and April 2004, respectively, the Group significantly reduced the total bank borrowings by approximately HK\$142 million; accordingly, the financial gearing ratio decreased from 205% to 9% and the current ratio was also increased from 0.31 to 0.90.

On the industrial side, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited's profit before tax was decreased by 13.8% as compared to the corresponding same period in last year and no material fluctuation in the full year performance is anticipated. Suzhou Goldtract Commodity Concrete Company Limited had recorded increased revenues compared to the corresponding same period in last year with strong demand for cement products in Suzhou City and its operating losses was significantly reduced.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

BUSINESS OVERVIEW AND OUTLOOK (Continued)

In conclusion, the Group had significantly reduced its gearing ratio after the disposal of its assets in South East Asia and exit from entertainment and leisure-related business during the period. It will focus on the development of its information technology and industrial manufacturing investments in the near future.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees of the Group as at 30th June, 2004 was approximately 600. Employees are remunerated according to nature of the job and market conditions. The Group has not adopted any share option scheme and training scheme for the employees during the period.

On behalf of the Board

Duncan Chiu

*Managing Director and
Chief Executive Officer*

Hong Kong, 17th September, 2004