MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results

For the six months ended 30 June 2006, the Group reported a turnover of HK$12,110,000 representing an increase of 26% from that of last corresponding period of HK$9,560,000. The increase of turnover for the period was mainly due to income accrued from property investment and property management, and in construction and related business.

The Group recorded positive results with profit attributable to equity holders for the period amounted to HK$20,454,000 as compared to HK$9,659,000 for the last corresponding period. The results have also significantly improved from previous year 2005 due to better performance from retail business.

Operations Review and Future Prospects

Construction and related business

The 51% subsidiary in Beijing suffered a loss for the period. The management has now taken a comprehensive review in this sector of business in light of the continuing loss with a view to improve the performance of this subsidiary.

Properties held for sale, leasehold interests in land and property, plant and equipment

The 51% subsidiary in Wuhan suffered a loss for the period mainly due to staff costs. The purchase from Wuhan Huaxin Real-Estate Development Co., Ltd. ("WHRED"), of 5 office premises units were classified under non-current assets. The management has focused to look for opportunity for expanding its services as our core business to independent third parties to make better performance of this subsidiary.

The Group also entered into a disposal agreement with Beijing Junefield Real Estate Development Co. Ltd., a connected person (as defined in the Listing Rules) of the Company, for disposal of 15 office units in Beijing which the Group has acquired in 2003 for RMB26.43 million (approximately HK$24.83 million) (the "Disposal"). The Disposal provides the Group an opportunity to realise part of the Beijing properties at a pre-determined price comparable to the prevailing market valuation on an underwritten basis.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Future Prospects *(continued)*

The management has leased 5 units out of 9 office units in Beijing, which the Group has acquired in 2003 to generate recurrent rental income. However, the management would recommend these properties be re-classified as properties for sale under current assets

Retail business in Wuhan

The share of profits from the jointly-controlled entity, Wuhan Plaza Management Co., Ltd. ("WPM") amounted to HK$31,074,000 after tax which represented a 21% increase as compared to last corresponding period. During the period under review, the economy of the People's Republic of China continued to experience growth, the retail and department store business remained promising.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Jointly-controlled Entities

Save as disclosed above, there is no material acquisition and disposal of subsidiaries, associated companies and jointly-controlled entities.

Liquidity and Financial Resources

As at 30 June 2006, the Group had a deficiency in assets of HK$28 million with total assets of HK$108 million and total liabilities of HK$136 million. The current ratio, which equals current assets divided by current liabilities, was 0.49 as at 30 June 2006, compared to 0.41 as at 31 December 2005. The Group's bank balances and short term deposits which are mainly denominated in Hong Kong dollars and Renminbi, amounted to HK$2.7 million as at 30 June 2006. The Group currently enjoys the continuous financial support from the Company's ultimate holding company and the sale proceeds from the Disposal have been applied to repay partially the Group's interest-bearing borrowings. The Group will actively improve its working capital at appropriate time, consider raising funds by suitable means, for investment and trade opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Capital Structure and Borrowings

As at 30 June 2006, the Group had interest-bearing borrowings of HK$34.6 million (2005: HK$39.6 million) in which an other loan of HK$30 million (2005: HK$35 million) bearing interest at 2% per month was due on 25 August 2006 and would be extended to February 2007 at 2% per month. Another loan of HK$ 4.6 million bears interest at 9.5% per annum with no fixed term of repayment.

An interest free loan from a jointly-controlled entity of HK$59.8 million (2005: HK$90.2 million) which was repayable through dividends distributions by the jointly-controlled entity up to December 2007.

Segmental Information

Detailed segment information in respect of the Group's turnover and contribution to profit before income tax are shown in note 2 to the interim financial statements.

Material Investment or Capital Assets

Save as disclosed above, there is no material acquisition.

Gearing

The gearing ratio, calculated on the basis of interest-bearing borrowings and the interest-free loan from a jointly-controlled entity to total assets as at 30 June 2006 was 0.88 (31 December 2005:1.04).

Charge of Assets

As at 30 June 2006, the Group's borrowings were secured by debentures incorporating floating charges on all assets of the Company and the Group's entire interests/rights in certain subsidiaries and jointly-controlled entity. For details, please refer to note 10 to the interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Litigation

The Group has been involved in a legal proceeding with total claimed amount of approximately RMB19 million. Currently, the litigation is still in progress and no conclusion has been drawn on the litigation. Based on the legal opinion from Group's PRC lawyer, the Directors are in the opinion that the court will ultimately decline such claim and, accordingly, no provision has been made. Other than the above, the Group had no litigation and claim during the period.

Exchange Rate Exposure

While sales of the Group are mainly denominated in Hong Kong dollars and Renminbi, the Group's exposure to fluctuation in exchange rates was minimal. As at 30 June 2006, the Group did not have any foreign currency investment which has been hedged by currency borrowings and other hedging instruments.

Contingent Liabilities

WHRED has given corporate guarantees to a bank (the "Bank") for mortgage loans granted to the buyers of its properties.

In September 2004, due to the default payments by certain borrowers, the Bank commenced legal action against WHRED requesting WHRED to repay the guaranteed amount of approximately HK$1 million. Based on the legal opinion from a PRC lawyer in Wuhan, the amount payable by WHRED would be limited to the outstanding balances after the sales proceeds from the mortgaged properties. As at 31 December 2004, the subject mortgaged properties had a current market value of approximately HK$1 million. As WHRED was reclassified as an available-for-sale investment during the year ended 31 December 2004, and the Group has not provided any financial guarantee to WHRED, the Directors do not expect the above claims to have any impact on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Employees and Remuneration Policy

As at 30 June 2006, the Group had about 190 employees of whom 10 are based in Hong Kong and 180 based in the PRC. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment term which is based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from the pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.