

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

CORPORATE RESULTS

During the six months period ended 30th June, 2006 (the "Period") the Company and its subsidiaries (the "Group") recorded a turnover of HK\$42.10 million (2005: HK\$30.3 million), representing a rise of 38.94% over corresponding period in 2005. The Group's loss attributable to equity holders of the Company amounted to HK\$1.35 million (2005: profit of HK\$4 million) representing a decrease of 1.34 times compared to the corresponding period in 2005.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2006, the Group had cash and bank balances of HK\$33.40 million (2005: HK\$46.5 million). Fundamentally, the Group's funding policy is to finance the business operations with internal generated cash and banking facilities. As at 30th June, 2006, the Group had total borrowings of HK\$17.33 million (2005: HK\$15.75 million) of which HK\$17.02 million (2005: HK\$15.38 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar, Japanese Yen and United States dollar. 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 and Current Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2006 slightly raised to 10.04% (2005: 9.20%). While the Group's current ratio (current assets to current liabilities) as at 30th June, 2006 has been maintained at a healthy level of 2.18 (2005: 2.23). The Group continues to implement prudent financing policy to reduce short-term borrowing as much as possible in order to ensure that the Group will not be affected by short-term uncertainties and exchange rate fluctuation.

Capital Structure

Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 23rd May, 2006, 9.95 million shares were issued and allotted on 30th May, 2006 as fully paid up by way of a one for ten bonus issue in respect of which an amount of HK\$0.1 million standing to the credit of the share premium account was applied. Accordingly, the Company's issued share capital was increased from HK\$1 million to HK\$1.1 million by the bonus issue of 9.95 million shares of HK\$0.01 each in the share capital of the Company. The new ordinary shares rank *pari passu* with the existing shares in all respect.

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

FINANCIAL REVIEW (Continued)

Pledge of Assets

As at 30th June, 2006 certain assets of the Group with an aggregate carrying value of approximately HK\$55.30 million (2005: HK\$36.7 million) were pledged to secure loans facilities utilized by the Group.

Risk on Foreign Exchange Fluctuations

The Group had no significant risk on foreign exchange fluctuation during the period.

Contingent Liabilities and Capital Commitments

As at 30th June, 2006, the Group and the Company had no contingent liabilities (2005: Nil) and also no capital commitments (2005: Nil).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the period, the Group had no material acquisition and disposals of subsidiaries except that interests in associate, in May, 2006 Chinasoft International Limited (the "Chinasoft") allotted and issued second portion 23.25 million consideration shares at an issue price of HK\$1.16 each to China National Computer Software & Technology Service Corporation (Hong Kong) Limited (the "CS&S (HK)") for acquisition of 51% equity interest in Chinasoft Resources Information Technology Services Limited ("Chinasoft Resources") who had achieved the required profit hurdle in 2005 accounts. Accordingly, the Group's shareholding in Chinasoft had decreased from 23.20% to 22.48%, resulting in a loss on deemed disposal of HK\$3.15 million during the period (2005: Nil). However, it raised to 22.51% after the Group had acquired 0.2 million Chinasoft shares in open market at a consideration of approximately at HK\$0.195 million.

BUSINESS REVIEW

For information technology investment, the Group's share of profit of an associate, relating to 22.51% equity interests in Chinasoft, raised to HK\$4.98 million (2005: HK\$4.35 million), representing an increase of 14.48% in the corresponding period 2005. With its acquisition of Powerise International and Opportune Technology, Chinasoft extends its business relationship with Microsoft Corporation and has also successfully expanded its outsourcing services into the Japanese market. In addition, Chinasoft has also established a subsidiary in the United States to enhance its global reach and shortened the gap with United States clients. It helps Chinasoft to continue to strengthen its market share in information technology industries within China.

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

BUSINESS REVIEW (Continued)

For industrial holdings, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited (the "Jiangsu Bang Bang") reported turnover of HK\$14.5 million, representing a decline of 3.33% compared with the corresponding period in 2005. Whereas Suzhou Goldtract Commodity Concrete Company Limited recorded a turnover of HK\$11.40 million, representing a rise of 22.58% compared with the corresponding period in 2005. Safeguard quotas reimposed by the United States and European Union on specific categories of textile and garment products since mid 2005 effectively restricted the growth of textile industry and exerting a general downside pressure on textile products. The operating environment for garment export sales will continue to be challenging in the second half of 2006.

For Investment properties, gross rental income for the period, decreased by 20% to HK\$0.40 million compared with the corresponding period in 2005. Retail rentals regained its momentum in the second half of 2006 after a period of market consolidation in the first half of 2006. In anticipation of further economic growth and increase in consumption expenditure of the local households, retail sales will benefit, thus providing further growth impetus to retail rentals.

PROSPECTS

Whilst there are concerns about the impact of high interest rates, surging energy prices and political tensions on the global economy, the Group's operating environment is generally positive nurtured by the robust economic growth in the Mainland China. The recent measures to slow down the mainland economy are specific to certain over-invested sectors and the central government has emphasized on the improvement of living standards and a more balanced growth model in favour of domestic consumption. With a mission to deliver shareholders' value, the Group has already constructed solid platforms for sustainable growth through our transformation into an investment company.

The Group will closely attend to the development of the Mainland China market, and study the feasibility of investing in the aviation related projects in the Mainland China. The Group is also actively seeking investment opportunities and expanding investment channels in order to capitalize the financial strength of the Group and maximize shareholders' value.

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

EMPLOYEE

As at 30th June, 2006, the Group had approximately 600 employees in Hong Kong and the People's Republic of China (the "PRC") (2005: 600 employees) with majority of these employees employed in the PRC. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus and discretionary employee share options would be granted to reward and motivate those well performed employees.

POST BALANCE SHEET EVENT

The Group had the following significant subsequent events:

On 28th May, 2006, the China Entertainment (Jiangsu) Development Limited (a wholly-owned subsidiary of the Company) entered into a conditional share transfer agreement with the 無錫市新業建設發展公司 for the disposal of 65% equity interest in Wuxi Cheerman Property Company Limited at a consideration of RMB15.5 million.

The Company acquired of HK\$8.3 million principal amount of the convertible notes of Satellite Devices Corporation from First Vantage Limited on 25th August, 2006 at a consideration of HK\$4.98 million.

Details of the above disposal and acquisition are set out in the circular and the announcement of the Company dated 3rd July, 2006 and 5th September, 2006 respectively.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2006 (2005: Nil).