

INTERIM DIVIDEND

The Directors have resolved that no interim dividend will be declared in respect of the six months ended 30 September 2001 (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PLAN

The Group is engaged in property development and property investment in Hong Kong and the mainland China. The turnover of the Group for the period of six months ended 30 September 2001 amounted to HK\$11.7 million (2000: HK\$11.3 million) is mainly contributed by the rental income of Golden Plaza, No. 745-747 Nathan Road, Kowloon. As at 30 September 2001, more than 90% of the total gross floor area of Golden Plaza has been rented. A professional management company has been employed to handle the management and leasing of Golden Plaza.

On 18 September 2001, the Properties Agreements and Subscription Agreements dated 17 April 2001 (for details please refer to the Company's circular dated 11 June 2001) in relation to the Group's debt restructuring by the sale of the Group's assets, conversion of debt into equity and new issue of shares for cash was completed, save and except for the subscription of 60,000,000 new ordinary shares of the Company at a subscription price of HK\$0.25 per share at an aggregate consideration of HK\$15 million and the subscription of shares in Tem Fat Hing Fung (Holdings) Limited by relevant group/related companies of Cheung Kong (Holdings) Limited as stated in the circular of 11 June 2001. Upon the completion of the restructuring exercises, 80,000,000 new ordinary shares and 684,000,000 redeemable convertible preference shares of the Company both at HK\$0.25 each were allotted and issued. The financial position of the Group has been improved substantially.

In order to diversify its existing business and income, the Group has explored other investment opportunities with earning potentials. In line with this strategy, the Group acquired 30% and 19% equity interest of an investment involving in information technology and logistics businesses in September 2001 and December 2001 respectively. The main asset of the Investment is Shipping-Info.com, a business-to-business web portal under development which aims to serve the shipping and logistics community by providing network based information services, via the internet, to shippers, forwarders, agents and carriers in Hong Kong, Shanghai and Tianjin in the mainland China. Services will be ready for launch for supply to customers not later than May 2002. The Directors believe this investment to be a good opportunity for the Company to diversify into information technology and logistics businesses.

In December 2001, the Rights Issue on a two-for-five basis became unconditional. The net proceeds realized amounted to approximately HK\$83.1 million.

As the debt restructuring exercises were completed and the Rights Issue became unconditional, the financial position of the Group has been improved. It has established a good foundation for the future expansion and development of the Group. As mentioned, the acquisition in information technology and logistic businesses represents a good opportunity for the Group to diversify its businesses. The Directors believe that it would be better for the Group to explore other investment opportunities with earning potentials to increase investments in Hong Kong and the mainland China so as to further diversify its sources of income and existing business.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group adopted proactive measures, including assets disposals and capital fund raising which were completed in September 2001, to reduce the Group's overall gearing level. As a result, there have been significant changes to the assets and liabilities of the Group. As at 30 September 2001, the Group had total cash and bank balances of approximately HK\$1.3 million (31 March 2001: HK\$1.8 million) and outstanding borrowings of HK\$273.1 million, comprising promissory notes payable of HK\$19.5 million and secured bank borrowings of HK\$253.6 million, which is secured by certain of the Group's investment properties with an aggregate value of HK\$350,000,000 and an assignment of the rental income derived therefrom. At the same date, the Group's net current liabilities was decreased to HK\$111.9 million from HK\$601.5 million as reported as at 31 March 2001. The total assets and liabilities of the Group as at 30 September 2001 have been decreased to HK\$377.4 million (31 March 2001: HK\$591.1 million) and HK\$291.4 million (31 March 2001: HK\$698.7 million) respectively. The gearing ratio of the Group as at 30 September 2001, as measured by total liabilities over total assets, was 77.2% (31 March 2001: 118.2%).

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2001, none of the directors and their associates had any interests in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), or had any rights to subscribe for equity or debt securities of the Company, which are required to be recorded in the register kept under section 29 of the SDI Ordinance or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

The Company has a share option scheme (the "Scheme") approved by the shareholders in the extraordinary general meeting held on 13 December 1999 under which the directors may, at their discretion invite any full time employees, including full time executive directors, of the Group to take up options to subscribe for ordinary shares of HK\$0.25 each of the Company subject to the terms and conditions stipulated in the Scheme. The exercise price is adjustable in accordance with the provisions of the Scheme. On 22 June 2001, the Company granted share options to certain directors to subscribe for up to 33,700,000 ordinary shares of the Company at an exercise price of HK\$0.25 per share at any time before 12 December 2009.