

OPERATION REVIEW

The property development projects of the Group in the PRC are as follows:

Riverside Garden, Xiamen

The construction work of Tower 1 and Tower 2, Phase I of Riverside Garden, Xiamen had been completed. About 87% of the residential units of Tower 1 had been sold as at the end of the Period. Public sale of the residential units of Tower 2 was formally launched in October 2001 and approximately 20% were sold as at the date of this report. The management planned to commence the construction work of Phase II in the second half of the year 2002. The turnover arising from the sales of Phase I for the Period amounted to approximately HK\$13.1 million, representing about 15.5% increase over that of the previous corresponding period. The Group expected the project to continue to make positive contribution to the results of the Group in the coming periods.

Yuhu, Xinhui

Yuhu is a holiday resort in Xinhui. Even though the operation recorded a loss in the Period, the results of the operation in fact improved by 8.2% as compared with the last corresponding period. With the completion of the renovation work of the resort's entertainment facilities such as sauna and karaoke, the Group expected the new entertainment facilities to bring new income stream and stimulate the existing business of the resort as a whole.

Emperor Star City, Shanghai

Emperor Star City, Shanghai was located in the famous tourist area of Yuyuan, Shanghai. The site clearance work had been completed. In view of the recent improvement in the property market of Shanghai, the management would study the latest market performance and consider if changes to the previously approved development scheme are necessary. Barring any unforeseeable adverse changes to the property market, the management planned to commence the construction works in the year 2003.

Peony Garden, Beijing

Peony Garden, the hotel and service apartment development in Beijing, was owned as to 80% by the Group through its 80% interest in Canlibol Holdings Limited ("Canlibol") which in turn held Beijing Peony Garden Apartment House Co. Ltd. ("Beijing Peony"), the registered owner of Peony Garden. Pursuant to an agreement with the vendor of the project, the vendor guaranteed a minimum return of approximately HK\$92.6 million per annum to the Group for five years as from June 1998. The Group had been receiving such guaranteed return by way of set-off against the accrued interest and part of the principal of the loan notes issued by the Company ("Loan Notes") in settlement of part of the purchase price for the project when the Group acquired the project.

The local management of Beijing Peony in the PRC had not been cooperative with the Company. The Company had difficulty in exerting management control over Beijing Peony and gaining access to its financial information. The Company is taking appropriate actions with a view to exerting management control over Beijing Peony.

New Century Plaza, Chongqing

Phase I of the project, an integrated retail, office and hotel complex with a total gross floor area of about 1,680,000 sq. ft., was still under construction. The formation work had been completed. To comply with the latest town planning requirements of Chongqing City, the master plan and design of the project was recently revised and had been approved by the government authority. The Group had been reviewing the latest property market performance of Chongqing to consider whether to proceed with the basement construction works immediately.

Other PRC projects

The construction of the project in Tienmapien, Xinhui, a mixed commercial/recreational group of buildings built on a site of 360,000 sq. ft., was yet to commence pending improvement in the sentiment of the property market of Xinhui and completion of the infrastructure facilities of the area by the local authority.

The Group also held interest in certain units and car parking spaces at Chongqing Hong Tai Building which was still under construction. In view of the prolonged suspension of the development and the impending restructuring scheme of the developer, the Group had already made full provision for the paid deposit of approximately HK\$18.7 million in the previous financial year.

In June 2001, the Group entered into an agreement with a PRC party to dispose of its entire interest in the project in Zhangmutou, Dongguan and expected to receive sales proceeds equivalent to approximately HK\$36.5 million. According to the terms of the agreement, the sales proceeds would be received by installments over a period of 2 years commencing from August 2001. Up to the date of this report, the Group had duly received an aggregate of HK\$9.5 million.