

Management Discussion and Analysis

(a) Business Review and Prospects

For the first half of 2002, the Group achieved a profit of HK\$19.8 million as compared to HK\$35.4 million for the same period last year. The profit before taxation reduced by HK\$15.2 million attributable mainly to the lack of gain from disposal of property during the period (the respective gain was HK\$6.2 million in the same period last year) and there was a net operating loss of HK\$6 million incurred for the new golf equipment trading business in the USA during the period.

In Hong Kong, except for commercial properties, nearly full occupancy on all properties was maintained. On a competitive rental strategy, our recurrent rental income dropped slightly by HK\$1.7 million or 2.7% as compared to the same period last year. The rental income for the next half will remain steady.

In the USA, property occupancy rates remained high at over 95%, but there was a downturn at rates of rental renewed during 2002. The office market in the USA is still searching for the bottom. Although the rental income of Montgomery Plaza for the period only dropped HK\$1.1 million or 3.5%, major tenants tend to re-negotiate new leases at a rent reduction.

(b) The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased by HK\$0.8 million to HK\$495.9 million. The shareholders' funds decreased by HK\$93.4 million to HK\$1,867.8 million and long term bank loans outstanding as at 30th June 2002 amounted HK\$448.4 million (at 31st December 2001: HK\$393.8 million). The debt to equity ratio was 27% (at 31st December 2001: 25%). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

Management Discussion and Analysis (Continued)

(c) Capital structure of the Group

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and United States dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

The maturity of the Group's long term bank loans is as follows:

	As at 30th June 2002 HK\$'000	As at 31 December 2001 HK\$'000
Within one year	29,152	29,058
In the second year	30,464	29,277
In the third to fifth years	351,508	290,961
After the fifth year	37,250	44,500
	<u>448,374</u>	<u>393,796</u>

The Group's total bank borrowings are secured by certain properties with an aggregate net book value of HK\$1,566 million (at 31st December 2001: HK\$1,648 million) and rental income thereon.

(d) Significant investment held and their performance and future prospects

The Yangtze Ventures Limited, which the Group has held 12% equity interest, has acquired an equity interest in a Hong Kong company engaged in developing and manufacturing display integrated circuit for telecommunication market during the period.

(e) Details of number and remuneration of employees

Including the directors of the Group as at 30th June 2002, the Group employed a total of 180 full-time employees. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

(f) Details of future plans for material investments

In continuous pursuit of a conservative and prudent business policy, the Group will consider to invest in profitable projects wherever arising in the future.