BUSINESS REVIEW

Overall

For the six months ended 30 September 2000, the Group's profit attributable to shareholders was HK$2,751,000 and basic earnings per share was 0.19 cent.

Trading Business

The "P&G" business has remained steady during the period under review. Good progress of the "Puma" brand in the Greater China region is achieved as distribution network gradually established and sales substantially increased. In particular, the presence of "Puma" in Hong Kong is reactivated through a distribution agreement to be signed with a long established trading company in Hong Kong. It is estimated that overall turnover for the next year will increase and begin to generate profits with optimistic growth in market share.

Property Investment

Hong Kong

Property investment in Hong Kong continues to generate steady cash flow and earnings to the Group. Due to increasing competition, rental rates have been flexibly adjusted to maintain its competitiveness. Profit margin, however, has become relatively thin as a result of the reduced income.

Panyu Times Place

Panyu Times Place still suffers a loss during the period. The Group will continue to apply cautious cost control measure in the project. The first phase of construction work for the new property development "Waterfront" was completed and Midland Realty Company Limited has been appointed as its exclusive marketing agent.

Investment Holdings

Environmental Heat Supply

The environmental heat supply project is progressing according to plan. A guaranteed income of HK$17,500,000 for the six months period was recorded.

Shanghai East Ocean Centre Phase II

Despite keen competition in the Mainland property market, the occupancy rate of Shanghai East Ocean Centre Phase II is maintained at approximately 90% and is expected to generate positive cash flow to the Group after payment of the final portion of land premium to the local government.

Disposal of Non-Core Business

In line with the Groups' direction in rationalization towards the logistics business, the Group's equity interest in Pan-Land Development Limited was disposed of during the period under review at a loss of approximately HK$2,213,000.

E-commerce

Substantial set up costs and administrative expenses have been incurred for the online bookstore — ebookschina.com, and as consumers were less receptive to e-commerce than it was anticipated, operations have been focused in Mainland China in order to contain cost while additional effort is made in exploring new business opportunities in the Business-to-Business arena. Chinaserve.com Inc., Beijing, is now providing technical support and maintenance to the eDN project and at the same time developing Internet Application Service Provider software for the Mainland market. Cautious cost controls will continue to be adopted to enhance effectiveness.

eDN

The Group's recent acquisition of 70% equity interest in China-eDN.com Limited was completed on 27 April 2000 and reflected in the financial statements for the period under review. After six months of development, the basic structure of the eDN system was completed. Preliminary testing result proved satisfactory. Currently, the system is now at an advance phase of application testing. Upon completion of the final commissioning, the system will be launched.

PROSPECTS

Looking ahead, it is anticipated that the Group's business shall maintain a steady progress for the second half year. The distribution and trading businesses of the Group will continue to benefit from the increasing domestic consumer demand of the Mainland China. The fall/winter sales of "Puma" products will show apparent increase as compared with that of the first half financial year. Rental return of the Shanghai property investment will also restore to a reasonable level. The Company will continue to apply stringent cost control to the e-business, and at the same time intense development on Internet application software and provision of technical maintenance service are aimed to achieve a break-even in the coming year. The electronic distribution network (eDN) is currently at an advance testing phase to ensure the application serves the management's need of the logistics network of China National Container Corporation ("CNCC") in the second half of the financial year. The Group will continue to dispose of its non-core businesses, including the property and industrial investments in the Mainland, in order to consolidate its resources on developing the logistics and distribution business.

The Group executed the "Memorandum of Intention" with CNCC in the first half of the financial year to acquire its logistics network in the Mainland, which is expected to conclude in the second half of the financial year. In due course, the Group shall have a comprehensive logistics and distribution system in the Mainland China. Such a system, when transformed and upgraded by the eDN program, will be capable of providing customers with a full range of services inclusive of warehousing, distribution and purchasing. The Group intended to finance the project by internal resources as well as financing from potential strategic investors.