Management Discussion and Analysis

PROFITS AND TURNOVER

The Group reported an increase in profit attributable to shareholders by about 273% to HK$23.9 million (1999: HK$6.4 million) and an increase in basic earnings per share by about 206% to HK cents 1.375 (1999: HK cents 0.45).

Turnover for the year was HK$101 million, increased by about HK$86 million as compared to the records in 1999, which was mainly derived from securities tradings, the property management and rental income.

LIQUIDITY AND CAPITAL STRUCTURE

As at 31 December 2000, the current assets amounted to about HK$203.5 million (1999: HK$37.1 million). The current ratio and the quick ratio were 5.96:1 and 5.26:1 respectively, reflecting a relatively healthy liquidity level.

In addition to the shareholders' fund, the Group's financial resources were obtained from current liabilities of HK$34.1 million (1999: HK$16.9 million) and non-current liabilities of HK$46.2 million (1999: HK$40.1 million). Out of such liabilities, bank loans and overdrafts amounted to HK$68.6 million (1999: HK$43.9 million) in aggregate which were secured by the Group's certain properties and fixed assets while the remaining amounts of HK$11.7 million were obligations under finance lease and other short-term liabilities.

The maturity profile of bank loans and overdrafts is analyzed as follows:

Maturity	**As at 31 December 2000 HK$ million**	As at 31 December 1999 HK$ million
Within 1 year	**22.8**	3.8
After 1 year but within 2 years	**3.0**	4.1
After 2 years but within 5 years	**10.5**	15.2
After 5 years	**32.3**	20.8
Total	**68.6**	43.9

The Group's assets pledged with banks included the properties located at:

(1) Wing Fai Centre and Wing Fok Centre, Fanling, New Territories, Hong Kong; and

(2) The Mayfair in Mid-levels, Hong Kong.

During the year, the Company raised funds of about HK$116.3 million by several new share placements and the funds were fully utilized as the working capital of the Group.

All the borrowings and other funds were sourced from Hong Kong and most monies and assets were in Hong Kong dollars. There was no significant exposure to foreign exchange rate fluctuations. All such funds were and shall be used as the Group's general working capital purpose.

The capital gearing ratio as at 31 December 2000 was maintained at a reasonable level of 23.0% (1999: 27.8%). It is calculated as bank loans and overdrafts of HK$68.6 million (1999: HK$43.9 million) over the shareholders' fund of HK$298.1 million. (1999: HK$ 158.1 million).

BUSINESS REVIEW

In 1999, via the acquisition of a company, namely, Sherwell Property Corp., the Group acquired a property management business with a guarantee of the gross management income of not less than HK$10 million in each of the following two years. As the first year under the guarantee, the year 2000 recorded a shortfall of about HK$5.5 million in the gross management income due to the deferral of the business commencement of the property. Nevertheless, the Group was reimbursed with the shortfall in accordance with the terms and conditions of the acquisition and did not suffer any loss under the guarantee. In view of the performance of the property management business in the past few months, the Directors expected that the gross management income of the second year under the guarantee could be met.

During the year, the Group acquired properties located in Shanghai, the PRC at a consideration of HK$24 million. Just before the year end, the Group entered into a sale and purchase agreement with an independent third party to dispose of the properties at a consideration of about HK$27 million and the disposal was expected to be completed in 2001.

In November 2000, the Group entered into a Heads of Agreement with Sing Tong Information Technology Company Limited (''Sing Tong'') and had paid US$2.8 million as deposit for acquiring 7% of the equity interests in a sino-foreign co-operative joint venture in the PRC, which would be transformed from Sing Tong after a capital restructuring. The business of Sing Tong includes satellite data transmission and the development of related businesses and industrial investments. However, Sing Tong's restructuring is slower than expected. The Directors will closely monitor the progress of this acquisition. If the conditions of the acquisition could not be fulfilled by Sing Tong by 6 May 2001 as agreed, further announcement will be made in due course.

FUTURE PROSPECTS ON INVESTMENTS

In the beginning of 2001, the Group entered into a sale and purchase agreement to acquire a 98% interest in Shanghai Taigu Apartment Service & Management Co., Ltd (''Taigu'') which was 90% owned by China Wan Tai Group Limited, the ultimate holding company of the Company. Taigu owns, manages and operates service apartments and has been revalued at about US$37 million in February 2001. The total consideration for the acquisition is about HK$156 million including a cash consideration of about HK$55 million, an issue of consideration shares and a debt financing. It constituted a discloseable and connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and was approved by the shareholders of the Company in a special general meeting held on 30 March 2001. The Board considered that the acquisition would be in line with the current business strategy of the Group and would provide the Group with an opportunity to increase its property interests in the prime area of Shanghai, the PRC as well as generation of steady income. The acquisition is still under the progress to completion.

Recently, the Group made certain press releases regarding its property development project in Xian, the PRC. This project is located at the environmental protection area aside the future mass transit railway station in Xian. The whole development covers a gross area equivalent to about 230,000 sq. metre and is targeted to be completed in two years. The total cost of investment will be about HK$300 million which will be supported by the Group's various financial resources and the sale proceeds of the relevant properties of the project. The first stage of the development with a capital investment of about HK$78 million will commence in June 2001 and be completed in one year with a gross area equivalent to about 80,000 sq. metre, which will be put up for pre-sale in September 2001. As the North-western region of the PRC is the focus of development of the PRC government in the coming years, it poses a golden opportunity for the Group's investment in the region.

Besides, the Group has also obtained the rights to participate in the development of services apartments in the Pudong district in Shanghai, the PRC. Such district is located along the Huangpu River with the prosperous Lujiazui Financial and Trade Zone to the north and the panoramic Huangpu River to the west, and will be a premium zone with residential buildings and services apartments. The Group has not yet committed to this development which is still under the analysis of feasibility. If committed, it is expected that the project will be completed in three years and the total cost of investment will be HK$300–500 million. It will be a highly significant development for the Group in the prospective market of service apartments of the mid to high level in Shanghai, the PRC.

EMPLOYEES

As at 31 December 2000, the Group has 49 employees. They were remunerated according to the nature of the job and market condition, with built-in merit components incorporated in annual increments to reward and motivate individual performance. Total staff costs for the year were HK$3.8 million (1999: HK$2 million).