

Management Discussion and Analysis

GROUP RESULTS

Net profit for the six months ended 31 March 2001 amounted to HK\$19.2 million (2000: HK\$14.4 million). Turnover for the period amounted to HK\$41.2 million, representing an increase of 2% as compared to last period.

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building were approximately 81% and 63% let.

LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 31 March 2001, the Group possessed cash and bank balances totalling HK\$24.4 million. During the period, the Group does not need any borrowings or overdraft facilities.

EMPLOYEE AND REMUNERATION POLICIES

The Group employs a total of 18 employees. The Group recognises the importance of the strength of its human resources for its success. Pay rates of employees are maintained at competitive levels and promotion and salary increments are assessed on a performance related basis.

Disclosure of Interests

At 31 March 2001, the interests of the Directors and Chief Executive in the share capital of the Company which have to be notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to section 28 of the Securities (Disclosure of Interests) Ordinance of Hong Kong (including interests which they are deemed or taken to have under section 31 or Part I of the Schedule to that Ordinance) or which are required, pursuant to section 29 of that Ordinance, to be entered in the register referred to therein were as follows:-

	Number of shares held	
	Personal Interests	Corporate Interests
Directors		
Dato' Dr. Cheng Yu Tung (Note a)	–	–
Mr. Chung Ming Fai	12,000,500	1,000 (Note b)
Mr. Chung Yin Shu, Frederick	1,875	–
Chief Executive		
Mr. Ho Tak Him	1,000	–

Notes:

- (a) Dato' Dr. Cheng Yu Tung is a shareholder of Chow Tai Fook Enterprises Limited, which, together with its associated companies, has a beneficial interest in 6,762,750 shares of the Company.
- (b) Mr. Chung Ming Fai controls more than one-third of the voting power of Fu Hop Investment Company Limited which held 1,000 shares in the Company.

Save for the shares referred to the above, no other person is recorded in the register kept pursuant to section 16(1) of the Securities (Disclosure of Interests) Ordinance as having an interest in ten percent or more of the issued share capital of the Company as at 31 March 2001.

At no time during the financial period was the Company or its subsidiary company a party to any arrangements to enable the Directors or Chief Executive (including their spouses or children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 31 March 2001, there was no purchase, sale, or redemption by the Company or its subsidiary of the Company's listed securities.

Audit Committee

The Audit Committee engaged the auditors to assist the Committee in its review of the interim financial report. The auditors conducted their review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKSA. The review consisted of management enquiries and analytical procedures, but excluded audit procedures. On 8 June 2001, the Committee met with the management and the auditors to review the unaudited interim report and consider the significant accounting policies, and to discuss with the management the Group's internal control system.

Code of Best Practice

During the financial period, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

Dato' Dr. Cheng Yu Tung
Chairman

Hong Kong, 14 June 2001