MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The group's turnover for the financial year ended 31st March 2001, amounted to HK$158,008,402. Loss attributable to the shareholders for the year totalled HK$58,111,407.

PROPERTY & HOSPITALITY DIVISION

Hong Kong Parkview

During the year the average rental rate achieved in the Group's Parkview properties was slightly lower than that achieved in the previous year. Despite additional costs incurred on renewal of new tenancies, the higher occupancy level resulted in higher rental income contribution from the Group's own properties.

The occupancy of the serviced apartments and the clubhouse of the Hong Kong Parkview, which is under the Group's management, improved during the year and led to an increase in the management fees received.

56 Tai Hang Road, Hong Kong

The project was completed in 2000 and several units have since been sold. But the soft market conditions in Hong Kong have forced the sale price down. Under the circumstances, the units are now held temporarily for rental.

Nanjing Dingshan Garden Hotel, Nanjing, China

The four-star hotel and service apartments continued to generate a profit, despite a smaller one, in the financial year. The first phase of the 5-star hotel was just completed and open for business in July 2001.

Shanghai Garden City, Shanghai, China

As there were just few apartment units remaining unsold in the project, the Group had adopted a firmer price policy with a view to achieving a higher sales income. Despite the continuous slow market conditions in Shanghai, the sale progress of the project met its plan.

FERRY OPERATIONS

In the Philippines, unstable political climate, continued downturn of economy and sharp depreciation of the currency, all contributed to the poor performance of the Group's fast ferry operation in the Philippines. A large percentage of the travelling public have, due to financial reasons, reverted back to sailing with cheap conventional slow boats. This has resulted in poor passenger numbers and consequently the operation incurred significant loss in the year. As the outlook continues to be unfavourable, the directors decided that adequate provision be made.

FERRY OPERATIONS (Continued)

On the European front, the Group has been successfully granted an operating licence by the Spanish authority to operate a fast ferry route in one of its well-frequented tourist spots. The operation is expected to commence business in this summer. The Group's experience, the country's stable economic situation and the commercial potential of the route are all positive factors for the Group to enter into this market.

OTHERS

In the furnishing business, the project-based strategy has made steady progress and continues to be profitable.

SIGNIFICANT INVESTMENT & ACQUISITIONS

On 17th November 2000, the Group entered into the S & P Agreement whereby the Group has conditionally agreed to purchase from the Hwang family, Lambhill Properties Ltd. ("Lambhill") which owns a plot of freehold land in London, England. It is planned to erect an office building on this site. The purchase consideration was £6,000,000 (approx. HK$66,768,000) to be paid as follows:–

(a) £2,000,000 as a deposit on signing of the S & P Agreement,

(b) £4,000,000 in four equal instalments payable in January, March, June and September 2001.

An independent valuation has valued the land at £6,800,000 (approx. HK$75,670,400).

Thereafter, the Group, Lambhill and Parkview International London plc (a Hwang family company) will enter into the Agreement for Lease whereby Lambhill will agree to construct the office premises. Upon practical completion of construction, Lambhill and Parkview International London plc will enter into a lease for a period of ten years at an initial rent of £30 (approx. HK$333.80) per annum per square foot. The tenanted space will be approximately 20,000 square feet but no more than 25,000 square feet. The rent will be reviewed to a market rate after five years.

Details of the acquisition can be found in the Connected Transactions circular issued on 8th December 2000. A Special General Meeting was held on 29th December 2000, to approve the above transactions.

The acquisition of Lambhill fits into the business strategies of the Group as a top grade commercial building will be built on the property. Furthermore, investing overseas in economically stable markets has always been the Company's policy in diversifying its investment. London, being one of the world's biggest financial centres, offers considerable upside potential in terms of property development.

FINANCIAL POSITION

The financial position of the Group remained healthy as bank and cash balances far exceeded total bank borrowings. The gearing ratio, representing the ratio of total bank borrowings to total assets, was 3.26% (2000: 0.83%).

All financial borrowings of the Group and the majority of income and expenses of the Group are dominated either in Yuan, Hong Kong Dollar or US Dollar. Hence the Group's exposure to fluctuations in the exchange rate is considered to be minimal and there is seldom the need to make use of financial instruments for hedging purposes.

At 31st March 2001, the Group had HK$214 million net current assets in hand. This forms a solid foundation for the Group's forthcoming expansion and development.

EMPLOYEES

Total number of employers in the Group excluding those under the payroll of the associated companies at 31st March 2001 was 446 compared with 458 at 31st March 2000. Remuneration packages are reviewed annually. In addition to the salary payment, other staff benefits include medical and hospitalisation insurance cover.