

Management Discussion and Analysis

BUSINESS REVIEW

Property investment

The Group's core business in property investment and development have been adversely affected by the downtrend of the property market in Hong Kong. The Group encountered restriction on letting out its properties imposed by creditor banks. Nevertheless the Directors have disposed of certain properties during the year to reduce the Group's debts. Upon the default of the Group on certain covenants of its property mortgage loans, certain investment properties of the Group have either been put under receivership or ordered for vacant possession by the creditor banks in current year.

Property development

The joint venture development of 12 villas at Pik Sha Wan, Sai Kung in the New Territories has been put on sales during the year. Up to the date of this report, eight villas have been sold. Proceeds from sales would be applied to settle the construction bank loans, and any further proceeds attributable to the Group would be used to reduce the Group's debts.

Hotel operation

Hotel operations of Xiamen Plaza Hotel have been managed in a good condition. The management of Xiamen Plaza Hotel maintained a breakeven profitability in its operations and a positive operating cashflow. Revenue of the hotel operations represented 36% of the Group's turnover in current year.

Upon the granting of a Rescission Order by the Court in Hong Kong in February 2001, Hong Du would not be owned by the Group, and instead, Xiamen Plaza Hotel would remain 100% owned by the Group again. On the implementation of the Rescission Order, the Group encountered unavoidable practical difficulties, though the Directors will use their best effort to resolve them finally.