

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover and Profit

The Group reported a turnover of HK\$57.9 million, increased by about HK\$46.6 million as compared to the records of the corresponding period in 2000, which was mainly derived from securities trading, property management, rental and interest income. After charging a loss of HK\$5.5 million on disposal of investment properties and other costs, the profit attributable to shareholders was HK\$141,000 (2000: HK\$1,283,000).

Liquidity and Capital Structure

As at 30 June 2001, the current assets amounted to about HK\$219.9 million (2000: HK\$203.5 million). The current ratio and the quick ratio were 8.97:1 and 7.99:1 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\$24.5 million (2000: HK\$34.1 million) and non-current liabilities of HK\$46.2 million (2000: HK\$46.2 million). Out of such liabilities, bank loans and overdrafts amounted to HK\$48.9 million (2000: HK\$68.6 million) in aggregate which were secured by the Group's certain properties.

During the period, the Company raised funds of about HK\$98.7 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 and Renminbi. There was no significant exposure to foreign exchange rate fluctuations. All such funds were used as the Group's general working capital purpose.

The capital gearing ratio as at 30 June 2001 was maintained at a reasonable level of 12.4% (2000: 23.0%). It was calculated as bank loans and overdrafts of HK\$48.9 million (2000: HK\$68.6 million) and the shareholders' fund of HK\$394.5 million (2000: HK\$298.1 million).

Business Review and Prospects

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. As the acquisition requires the approval of the authority in the PRC

and the processing time turns out to be much longer than expected, the acquisition could not be completed by 6 May 2001 as agreed. Thus, the Group has agreed with Sing Tong to postpone completion of the acquisition whereas the deposit of US\$2.8 million had been refunded to the Group in full first. The Group would explore the potential business opportunities in information technology via various co-operations with Sing Tong as pursuant to the Heads of Agreement.

In March 2001, the acquisition by the Group of 98% equity interests of Shanghai Taigu Apartment Service & Management Co., Ltd. had been duly approved by the shareholders in general meeting. As additional time was required for the fulfillment of certain conditions precedent, the completion of the acquisition was postponed to any date before 30 September 2001. The directors of the Company will closely monitor the progress of completion of the acquisition. If all conditions precedent could not be fulfilled by the end of September 2001, further announcement will be made in due course.

In view of the dimming property market in Hong Kong, the Group disposed of a property located in mid-levels at HK\$29.5 million in June 2001. In spite of recording a loss of HK\$5.5 million, the Board believed that the disposal is in the best interest of the Group.

The property development in Xian, the PRC, has been carried out on progress and the Group is seeking to have the pre-sale commenced soon.

Meanwhile, the potential development in the Pudong district in Shanghai, the PRC, is still under the analysis of feasibility.

Employees

As at 30 June 2001, the Group had 58 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 period were HK\$1.5 million (2000: HK\$0.7 million).