

FINANCIAL REVIEW

Business review and prospects

For the six months ended 30 June 2001, the turnover of the Group was approximately HK\$32.21 million, representing a drop of 2.56% compared with the corresponding period last year. Loss attributable to shareholders was approximately HK\$15.31 million (2000: Net profit of HK\$493,000).

The loss is mainly attributable to: 1) the general decrease in market prices for commercial premises in Fuzhou city; 2) Rong He Mansion only commenced pre-sales in April 2001, which has not yet brought in significant returns to the Group; 3) the increase in operating overheads as a result of investments in new projects, which include: the www.chinafortunes.net website, the market promotion of Cangshan Hightech Industrial Park, Fuzhou and the construction of broadband networks. These three projects have not yet started contributing returns to the Group during the period.

Property development and management

During the period under review, the Group continued to sell remaining properties on hand. These include City Commercial Centre and Blanco Gardens. Other properties being sold include Dong Hui Gardens, Phase II of Tower 3 of Ya Ju Court and Rong He Mansion. The construction of the superstructures of these projects commenced last year and work is expected to be completed by 2002. The pre-sales of both Tower 3 of Ya Ju Court and Rong He Mansion was launched in October 2000 and April 2001, respectively. Pre-sales performance has been satisfactory, with accumulated sales of these projects reaching about 55% and 14%, respectively (with reference to floor area). These two projects have started contributing revenues to the Group.

The Group has cooperated with Great Wall Broadband Network Service Company Limited (長城寬帶網絡服務有限公司) in building the broadband network in Dong Hui Gardens. The construction work was completed in July 2001. In addition, the Group also cooperated with Jitong Network Communications Company Limited (“Jitong”) for the development of a broadband network in City Commercial Centre in September 2001. This project is still in progress.

Land bank reserves

The Group has sufficient land bank reserves for development in the years to come.

The Board believes that with the improvement in living standards and the increased demand for home buying, the residential property market will continue to thrive. As the pre-sales of new properties has commenced, the Group expects to achieve better performances in the future.

Cangshan Hightech Industrial Park, Fuzhou ("CHIP")

The Group continued its CHIP's promotional activities and the sales of land during the period under review. Positive progress has been made since the promotion of the project began in 2000. The project has started generating commission income from the sales of land. Currently, around a hundred companies in technology related businesses are operating their production plants in CHIP. To speed up CHIP's development, the Group, in conjunction with the relevant government authorities, have held roadshows for CHIP in several European countries in late September this year.

Chinafortunes network (chinafortunes.net)

Chinafortunes.net has been offering corporate information services to corporations in the PRC. It conducts China market research for them and organises "China Fortunes" forums regularly.

Other technology related businesses

The Group made active effort to diversify its business. The Company has entered into an agreement with Beijing Tsinghua Deployment Science and Technology Company Limited and the Electrical and Electronic Research Centre of Tsinghua University in July 2001 to develop high capacity electric power quality monitoring compensators in the PRC. The investment is estimated to be RMB30,000,000 in total, with the first phase amounting to approximately RMB3,000,000. The product launch is scheduled for 2003. In addition, the Electrical and Electronic Research Centre of Tsinghua University also signed a letter of intent to establish a research and development, testing and quality control center in CHIP.

In June 2001, Fuzhou CHIP Ke Jian Development Co. Ltd., one of the Group's subsidiaries, reached an agreement with Jitong for the construction of a broadband network in CHIP. Jitong will construct work for the switch within the Park, which will be due for completion in October 2001. Internet access, VoIP telecommunications and other services will then be offered to users through the switch.

With the imminent entry of China into WTO and Beijing's successful bid to host the 2008 Olympic Games, the Group will be formulating long term development plans and business strategies. Apart from engaging in property development, the Group is integrating technology into its property projects, to enhance the Group's competitive advantages and future profit potential, so as to create better returns to shareholders.

Working capital and financial resources

The Group's working capital used to finance the development of the properties and investments for the period under review is mainly short-term bank loans, proceeds from sales of properties and issue of the Company's securities to investors.

As at 30 June 2001, the Group's cash and bank balances are approximately HK\$9,009,000 (31 December 2000: HK\$13,690,000). The Group's liquidity ratio as at 30 June 2001 is 107% (31 December 2000: 106%). Current assets and current liabilities are approximately HK\$190,878,000 (31 December 2000: HK\$241,708,000) and HK\$177,938,000 (31 December 2000: HK\$227,045,000), respectively. The management has initiated various management controls during the period under review in order to strengthen the Group's financial position and the results is considered satisfactory. The level of trade receivables and bank and other borrowings decreases by approximately HK\$22,455,000 and HK\$57,203,000, respectively, when compared with those as at 31 December 2000. In the near future, the management will strive (i) to recover long outstanding trade receivables; (ii) to reduce bank and other borrowings further; (iii) to minimise the financial risk and (iv) to improve the cashflow position.

As at 30 June 2001, the Company has issued 301,538,400 shares (31 December 2000: 258,688,400 shares). The gearing ratio (total bank and other borrowings over shareholders' equity) is 65% (31 December 2000: 98%). This have been decreased substantially as compared to that as at 31 December 2000 and indicates that the Group's financial position has improve a lot during the period under review.

Due to the fact that the Group's transactions (including bank financing) are mainly denominated in Hong Kong dollars or Reminbi, and the related exchange rate during the period under review is relative stable, and accordingly, the exposure to fluctuations in exchange rate is minimal.

As at 30 June 2001, neither the Company nor its subsidiaries have any material contingent liabilities.

Employees and remuneration policies

As at 30 June 2001, the Group employed a total of approximately 200 employees. They were remunerated according to the nature of job and market conditions in which they were employed. Other staff benefits included a mandatory provident fund scheme for all the eligible employees, share option scheme and a year end bonus.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 30 June 2001, the interests of the Directors in the share capital and warrants of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

(A) The Company

Ordinary shares

Name	Personal interest	Corporate interest
Mr. Ngai Hor Ying	–	(Note 1) 151,104,000
Mr. Huang Jui Hsing	8,448,000	(Note 2) 20,000,000
Mr. Ngai Man Hing	3,000,000	–

Warrants

Name	Personal interest	Corporate interest
Mr. Ngai Hor Ying	–	(Note 1) 23,760,000
Mr. Huang Jui Hsing	759,600	(Note 2) 4,000,000

Notes:

1. The 151,104,000 ordinary shares and 23,760,000 warrants were owned by Jian Min Associates Limited (“Jian Min”), a company incorporated in the British Virgin Islands. The entire issued share capital of Jian Min is owned by Mr. Ngai Hor Ying.
2. The 20,000,000 ordinary shares and 4,000,000 warrants were owned by Golden Star Investments Limited (“Golden Star”), a company incorporated in Samoa. The entire issued share capital of Golden Star is owned by Mr. Huang Jui Hsing.

(B) The Associated Corporation

Mr. Ngai Hor Ying beneficially owned the only 1 ordinary share in the capital of Jian Min, the Company’s holding company.

Save as disclosed above, none of the Directors and chief executives or their associates had any personal, family, corporate or other interests in the share capital of the Company or its associated corporations as defined in the SDI Ordinance.

DIRECTORS’ RIGHT TO ACQUIRE SHARES

Under the terms of the Company’s share option scheme adopted on 24 June 1998, the Board may, at their discretion, grant options to employees, including Executive Directors, of the Group to subscribe for shares in the Company. On 3 January 2000, the Board has granted certain options (“Options”) to the following Directors of the Company and entitle them thereof to subscribe for shares of HK\$0.10 each of the Company.

Name of Director	Exercisable Period	Exercise Price per Share HK\$	Outstanding Options as at 30 June 2001
Mr. Ngai Hor Ying	4 January 2000 – 3 January 2003	0.46	5,500,000
Mr. Ngai Man Sang	4 January 2000 – 3 January 2003	0.46	5,300,000
Mr. Lam Ming Sum	4 January 2000 – 3 January 2003	0.46	1,000,000
Mr. Cheung Hing Sau	4 January 2000 – 3 January 2003	0.46	1,000,000
Mr. Ngai Man Hing	4 January 2000 – 3 January 2003	0.46	300,000
			13,100,000

No options have been exercised by any of the Directors of the Company during the period.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or its associated corporations granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage
Jian Min	151,104,000	50.11%

Save as disclosed above, no person, other than the Director whose interests are set out under the section headed "Directors' interests in shares and warrants", had registered an interest of 10% or more in the share capital of the Company that was required to be recorded under section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

Save and except that Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Bye-Laws of the Company, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited Interim Financial Statements for the six months ended 30 June 2001.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hardworking and dedication, the continuing support of its business partners, the financial creditors and the Company's shareholders.

By Order of the Board

Ngai Man Hing

Chairman and Managing Director

Hong Kong, 25 September 2001