

## **BUSINESS REVIEW AND PROSPECTS**

### **Operations Review**

Property development and investment remained the principal revenue generator of the Group for the half-year ended 30 June 2001. The Group recorded a consolidated turnover of HK\$37 million (30 June 2000: HK\$71 million) for the period under review, representing a decrease of HK\$34 million. Net loss attributable to shareholders for the six months ended 30 June 2001 was HK\$828.32 million (30 June 2000: profit of HK\$14.34 million).

Rental income from investment properties located in the PRC remained the major source of income for the Group, and a gross property rental income of HK\$13 million (30 June 2000: HK\$21 million) was recorded for the period, representing a decrease of HK\$8 million from the corresponding period. This decrease was mainly caused by an increase in vacant premises in the Group's investment property at Liwan Plaza.

### **Financial Review**

#### *(a) Liquidity and Financing*

At balance sheet date, the Group's borrowings amounted to HK\$52 million (30 June 2000: HK\$101 million), and the gearing ratio, which is calculated as the ratio of the net borrowing to the Group's shareholders' fund was not applicable as at 30 June 2001 (30 June 2000: 5.3%). All of these borrowings were financed by bank loans and secured by the Group's investment properties.

During the period, a provision of HK\$1,445 million has been made for the diminution in value of the Group's investment properties and properties under development. In addition, a bad debt provision has been made during the period against the Group's long outstanding receivables for a sum of HK\$23 million.

#### *(b) Foreign Exchange Exposure*

The Group does not anticipate any material foreign exchange exposure since its cash or cash equivalents held, borrowings, revenue and expenses are denominated either in Hong Kong Dollars or Renminbi or United States Dollars.

## **Prospects**

As announced, the Group undertook a major management restructuring on 3 August 2001. Given the demands of all the various difficulties that the Group has been facing, it would not be realistic to expect the new management to be able to complete the necessary review of the Group's business operations and their market competitiveness within the very limited time available. The new management is therefore not yet able to, at this stage, to lay out a complete strategic plan of the Group.

However, for the immediate future, what the Company will have to and will do is to continue its efforts in assessing its business operations as well as the development potential of its assets. Upon completion of an analysis of market competitiveness, management will be able to position the Company in accordance with its market strength and weaknesses. In addition, the Company plans to revise the rental policies on its investment properties to generate a steady flow of income for the maintenance of normal business operations. Management will also exercise caution in dealing with claims made against the Company in order to protect and safeguard its assets as far as possible. Meanwhile, the Company will continue its efforts to negotiate with creditors to arrive at mutually satisfactory repayment arrangements. In any event, given the fundamental uncertainties faced by the Group, the management will continue to keep the market fully informed of any major development affecting the Group on a timely basis.