

REVIEW OF OPERATIONS

1. Property Division

Turnover of the Property Division, which comprised sale of properties in the PRC and rental income in Hong Kong and the PRC, fell by about 8.8% to HK\$10.9 million, principally as a result of reduction in rental income. During the period under review, development of the Chengdu Chuang's Centre in Chengdu, Sichuan are progressing according to schedule and are expected to be completed in mid 2002.

On 29th October, 2001, the Group entered into a conditional sale and purchase agreement with Midas Printing Group Limited ("Midas") in relation to disposal of the Group's 100% interests in Lambda Building, Yuen Sang Building and certain residential units of Chuang's Garden, Chuang's New Town, Huiyang, with an aggregate gross floor area of 685,900 sq.ft. In addition, the Group also agreed to dispose of its 51% interests in the commercial podium and basement of Chengdu Chuang's Centre, Chengdu, Sichuan, on a fully completed basis, with attributable gross floor area of about 234,500 sq.ft. Consideration for disposal of this property portfolio will be HK\$252.9 million, completion of which is expected to take place before the end of this year. The Group will record a profit from such disposal which will be reflected in the second half of the financial year.

Upon completion of the disposal of the above property interests, the Group will have disposed of its major investment properties in the PRC and will focus its resources on development of its property interests in Guangzhou, Dongguan and Huiyang, and will also further identify suitable property projects in the PRC.

2. Manufacturing Division

(a) *Yuen Sang Hardware Company (1988) Limited ("Yuen Sang")*

The Group's manufacturing division has not been spared from the global downturn, which undermines profit margins across industries. The results of Yuen Sang showed a decline during the period under review, with turnover fell by about 21.0% to HK\$17.4 million and profit contribution reduced by 45.1% to HK\$1.9 million. To improve its operating performance, Yuen Sang continues to lower its operating expenses, and develop new product mix and new market segments.

(b) *Midas*

The Group held about 16% interests in Midas, a company listed on The Stock Exchange of Hong Kong Limited. For the six months ended 30th June, 2001, Midas recorded turnover of HK\$238.8 million and profit attributable to shareholders of about HK\$10.1 million, representing decrease of 14% and 39% respectively when compared with last corresponding period.

On 29th October, 2001, the Group entered into a conditional subscription agreement to subscribe 421.5 million redeemable preference shares of Midas at HK\$252.9 million, which is expected to be financed out of the proceeds from the Group's disposal of the property portfolio to Midas. The preference shares will bear an annual preferred dividend rate of 2.5% on a cumulative basis, and will be redeemable by Midas within five years from the date of issue. About 20% of the preference shares can be convertible, at the option of the Group, into listed ordinary shares of Midas within five years from the date of issue. If the conversion rights are exercised in full, the Group's shareholding interests in Midas may increase to about 43%. At present, the Group has no intention to convert the preference shares to such extent that it would result in the Group incurring an obligation to make a general offer for Midas' shares.

3. Information Technology Division

The tough global economic climate added fuel to the meltdown of the internet sector, which has yet to weather the consolidation or wipe out. During the period under review, the Group critically assessed outlook of this division, streamlined and contracted those non-profit generating operations, and implemented a series of rationalization and retrenchment exercises to trim down operating expenses and dispose of passive investments. As a result, turnover of the Information Technology Division reduced by 83.3% to HK\$1.4 million while operating loss decreased from HK\$15.8 million in the last corresponding period to HK\$3.4 million during this period.

After this repositioning, the Group's investments in this division have been scaled down to a low-cost base operation with prospective growth potential on a long-term spectrum.