

OVERVIEW

The Group's unaudited consolidated net loss for the six months ended 30 September 2001 amounted to HK\$39,016,000. The loss was mainly due to the poor performance in the global equity markets and the sharp decline in the U.S. and global economic growth. The loss per share for the period stood at HK35.91 cents comparing with a loss per share of HK38.85 cents for the last corresponding period.

INTERIM DIVIDEND

The Board of Directors did not recommend any payment of interim dividend (6 months ended 30 June 2000: NIL per share) for the period ended 30 September 2001.

BUSINESS REVIEW

Securities Trading

The performance of stock markets worldwide has been badly hit by the U.S. economic slowdown and the September 11 attacks in New York and Washington. During the period under review, the S & P 500 Index declined by 11 per cent while the Nasdaq Index dropped by 19 per cent. The Hong Kong Hang Seng Index plunged by 22 per cent during the period.

After a number of years of profitable performance, the performance of the Group in the last year and during the period was disappointing as a result of the continuous and significant decline in the global economy and financial markets. The volatile market conditions and economic slowdown impacted adversely on the Group's performance.

Property Investment

The economic uncertainty and job security concerns in Hong Kong pushed Hong Kong property prices lower. Hong Kong property prices have plummeted by about 60 per cent from their peak in 1997. The Group's investment properties were devalued further by HK\$16 million during the period.

Despite the adverse economic conditions, the Group's operating results from property rental activities improved substantially by over 133 per cent. This improvement was mainly attributable to the reduction in operating cost. In addition, administration cost was significantly reduced by 43.8 per cent compared to last corresponding period as a result of effective cost control measures taken by the Group at the end of last year.

LIQUIDITY AND FINANCING

For the period under review, net cash generated from the Group's operating activities amounted to HK\$112.6 million and the interest paid on securities trading amounted to HK\$3 million which has reduced by 24 per cent compared to last corresponding period.

Since the year ended 31 March 2001, the Group continued to reduce its bank borrowings. Total bank borrowings decreased by HK\$71.4 million to HK\$32.2 million as of 30 September 2001, while the bank balances maintained by the Group after netting off its liabilities on short positions of securities investments increased by HK\$20.6 million to HK\$29.6 million. The current ratio of the Group was 1.02 (31 March 2001: 1.39) while its total debt to equity ratio (based on the Group's total borrowings of HK\$147.8 million (31 March 2001: HK\$219.2 million) and total capital and reserves of HK\$86 million (31 March 2001: HK\$140.3 million) was approximately 1.71 (31 March 2001: 1.56) as at 30 September 2001.

The Group continued to rely on its internally generated funds, bank borrowings, banking facilities and loan from director to finance its business during the period. As at 30 September 2001, the Group had unused banking facilities totalling HK\$12 million.

PROSPECTS

The outlook for the U.S. stock market is uncertain. The global financial repercussions of the terrorist attacks in the U.S. have yet to unfold. Recovery in the U.S. is a decisive factor for the global stock market improvement. However, China's entry into the World Trade Organisation and the fall in interest rates might be able to boost demand from investors.

Amidst the current economic uncertainty, the Group will take a prudent approach in managing its investment portfolio.