

10. Share capital

Shares of HK\$0.10 each	Number of shares		Amount	
	For the six months ended 30th September,			
	2001	2000	2001	2000
			HK\$'000	HK\$'000
Issued and fully paid:				
At beginning of period	932,703,126	835,814,977	93,270	83,581
Exercise of warrant subscription rights	404,494	1,812,310	40	182
Conversion of convertible debenture	5,957,058	16,640,955	596	1,664
Private placement of shares	–	65,000,000	–	6,500
Shares repurchased and cancelled	–	(2,920,000)	–	(292)
At end of period	939,064,678	916,348,242	93,906	91,635

INTERIM DIVIDEND

The Board has resolved not to declared an interim dividend (2000: Nil).

BUSINESS REVIEW

For the six months ended 30th September, 2001, turnover of the Group amounted to HK\$188,765,000, an increase of 200% as compared with the same period in last year. The increase was mainly attributable to the increase in sale of properties during the period. Total property sales generated by the Group amounted to HK\$120,505,000, an increase of 290% over the previous period. Profit generated from property dealing was HK\$7,484,000. During the period, the Group acquired the remaining 51% interest in equity in Goldline Properties Limited (“Goldline”) which becomes a wholly owned subsidiary of the Group. The Group held a 49% interest in Goldline in previous year and as at 31st March, 2001, the market value of investment properties held by Goldline amounted to HK\$254,250,000. These properties, which are located adjacent to the China Town in London, are fully let, and this accounted for the sharp increase in profit generated from property rental during the period. The power plant located in Guangdong Province, which became a subsidiary of the Group in January 2001, continued to generate a profit for the Group. The Group also acquired a Chinese restaurant business located at the China Town in London during the period.

BUSINESS PROSPECTS

The Group has been selling its low density residential properties located in Tuen Mun, the Villa Pinada , since November this year. The development has a marketable floor area of approximately 350,000 square feet with altogether 319 residential units and 123 car parks available for sale. The sale response is satisfactory. In view of the fact that the confidence in the property market is recovering, we are optimistic that all the properties of Villa Pinada could be sold out and a satisfactory profit could be generated for the Group.

The Group continues to market the luxury house project at 12B Bowen Road. The construction of the houses with marketable floor area of 7,063 square feet will be completed shortly. The Group remains optimistic in the luxury residential market and anticipates disposal at a satisfactory profit.

The Group will start to market its development located at Tsing Fat Street in So Kwan Wat , “the Aegean” , in the first quarter of 2002. The site has a total marketable floor area of approximately 100,000 square feet with 81 units of flats and duplex units, 8 houses and 135 car parking spaces.

The property development project located at Chang An Town, Dongguan city, Guangdong Province will be completed in September 2002 and majority of the residential units have been pre-sold. We are optimistic that a satisfactory profit will be generated from its sale.

As at 30th September 2001, investment properties held by the Group amounted to HK\$703,200,000. They will continue to generate a stable recurrent income for the Group.

The Hong Kong housing market has been on track towards a recovery from the impact of the September 11 attacks by late November 2001. With the falling interest rates and a series of measures implemented by the Government to stabilize local property prices, long-term investors and home purchasers regain confidence in the property market and apartment sales have been brisk. We are optimistic about the performance of the Group in the second half of this financial year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th September, 2001, the Group's total shareholders' funds amounted to HK\$817,852,000 (31st March, 2001: HK\$827,498,000). The decrease in shareholders' fund is mainly attributable to the reduction of investment property revaluation reserve upon disposal of investment properties during the period.

The aggregate bank and other borrowings were increased to HK\$1,279,471,000 (31st March, 2001: HK\$1,082,053,000). The increase was largely attributable to the bank loans acquired for the financing of investment properties through the acquisition of Goldline during the period. The majority of bank and other borrowings was denominated in the currencies for which assets were financed and interest were borne at floating rates. Bank borrowings were mainly applied to finance development of sites and working capital. We expect that the borrowings will greatly decrease upon disposal of Villa Pinada, houses at Bowen Road, the Aegean and the Chang An Town project.

During the period, rearrangement had been made with the debenture holder that the convertible debentures will be redeemed or converted into shares in one year's time. As at 30th September, 2001, the net asset value of the Group was HK\$818 million representing approximately HK\$0.87 per share. The gearing ratio, calculated as ratio of non-current liabilities to shareholders' funds as at 30th September, 2001 was 0.65.

We expect that the disposal of Villa Pinada will generate a satisfactory profit for the Group and its indebtedness will be reduced in the second half year. We also believe that the Group will continue to obtain the support of current banks and that it will have sufficient funding for its operational requirements.

PERSONNEL

As at 30th September, 2001, the number of employees of the Group was approximately 110. Remuneration packages are reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits, including medical insurance and contributions to provident fund.