

OUTLOOK AND PROSPECTS

The Receivers have been working to stabilise the financial and operational affairs of the Group with a view of implementing a restructuring of the Group.

Advertisements seeking expressions of interest were published in December, 2001 and January, 2002. To date, a number of potential investors have approached the Receivers with preliminary restructuring proposals.

The Receivers are evaluating proposals and negotiating with the potential investors.

Upon completion of the restructuring, the Group will be benefited by operating under a stable environment with a significant reduction of its financial burden.

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at February 25, 2002, the beneficial interests of the Directors and their associates in the share capital of the Company, as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

Directors	(Number of Ordinary Shares)			
	Personal interests	Family interests	Corporate interests	Total
Mr. CHANG Lien-hing, Stephen ("Mr. Chang")	25,621,654	20,173,043 Note 1	113,793,681 Note 2	159,588,378
Mr. AU Wai-hing, Antonio	100,000	–	–	100,000
Ms. WHONG Shuk-ping, Anita	–	–	–	–
Mr. LUM Chor-wah, Richard	840,000	–	–	840,000
Mr. TONG Wui-tung, Ronald	–	–	–	–
Mr. Albert T.da ROSA Jr.	–	–	–	–
Mr. LIU Chow-loy, Barry	–	–	–	–

Notes:

1. Owned by Madam Wong Suek-bun, wife of Mr. Chang.
2. These 113,793,681 shares are held by Fenman Holdings Limited in which Mr. Chang, Mr. Cheung Kem-cheng (a former director of the Company and sibling of Mr. Chang) and Mr. Chang Fu-seng (a former director of the Company and sibling of Mr. Chang) have a 55.26%, 29.44%, 15.00% interest respectively.

Save as disclosed above, none of the Directors or their associates had any interest in the share capital of the Company and its associated corporations recorded in the register (required to be kept under Section 29 of the SDI Ordinance).

Change of Directors

On September 3, 2001, Mr. Au Wai-hung and Mr Albert T. da Rosa Jr. resigned from their positions of directors of the Company.

On October 23, 2001, Mr. Liu Chow-loy, Barry resigned as a director of the Company.

SUBSTANTIAL SHAREHOLDERS

As at February 25, 2002, the Company has been notified of the following interests, amounting to 10 per cent or more of the share capital of the Company:

Name	Number of shares
Fenman Holdings Limited	113,793,681*

* Refer to Note 2 above.

Save as disclosed herein, there is no person known to the Directors of the Company who had registered an interest in the share capital of the Company required to be kept by the Company under Section 16(1) of the SDI Ordinance.

LOANS TO OFFICERS

Included in trade and other receivables are certain loans advanced by the Group to certain of its officers as follows:

Name of borrower	Profit Link Properties Limited	Kowloon Assets Limited
Director in connection with the borrower	Chang Lien-hing, Stephen	Chang Lien-hing, Stephen
Relationship	90% shareholder	90% shareholder
Amount outstanding at		
April 1, 2001	HK\$4,583,000	HK\$7,865,000
September 30, 2001	HK\$4,298,220*	HK\$7,866,190
Maximum amount outstanding during the period	HK\$4,583,000	HK\$7,866,190
Terms	Interest bearing at prime rate, unsecured and repayable on demand	Interest bearing at prime rate, unsecured and repayable on demand

* The receivable balance of HK\$4,298,220 included management fee receivable of HK\$3,865,131 in respect of the provision of management services to Profit Link Properties Limited by one of the subsidiaries of the Company in previous years.

Full provision had been made in the financial statement in relation to the loans advanced by the Group to the above officers.

DISCLOSURE OF MATERIAL LOANS TO AFFILIATED COMPANIES

As at September 30, 2001, financial assistance provided by the Group to its affiliated companies amounted to approximately HK\$93.4 million, details of which are as follows:

Name of the affiliated companies	Nature of financial assistance	Percentage of interest	Outstanding balance as at September 30, 2001 HK\$ '000
Walden Investment Limited ("Walden")	Loan	50%	73,290
Richness Hill Company Limited (Richness Hill)	Loan	50%	2,300
Group Empire Limited ("Group Empire")	Loan	50%	17,810
Total			<u>93,400</u>

Walden and Richness Hill together hold a 100% interest in Group Empire, an investment holding company of a property development project in Causeway Bay, Hong Kong ('Project'). The loan of about HK\$73.3 million to Walden and HK\$2.3 million to Richness Hill by the Group were subsequently loaned to Group Empire for financing the Project. The loans were unsecured, interest free and repayable on demand.

Apart from the above loans, the Project was also financed by bank borrowings. The properties developed under the Project were mortgaged to secure the bank borrowings.

As at September 30, 2001, the aggregate financial assistance provided to the above affiliated companies by the Group was approximately HK\$93.4 million, representing 60% of the audited consolidated turnover of the Group as at March 31, 2001. A full provision to write down the above loans was made in the financial statements for the year ended March 31, 1999.

On December 1, 2000, the properties developed under the Project were sold to an independent third party as defined under the Listing Rules at a consideration of approximately HK\$52 million through a public auction. The sale proceeds were fully applied by the mortgagee bank to repay the bank borrowings. Given that a provision was already made for the loans, there would be no adverse impact on the Group after the sale.

Pro forma Combined Balance Sheet of the above affiliated companies as at February 25, 2002

	<i>HK\$'000</i>
Property held for further development	3,000
Current assets	
Trade and other receivables	17
Cash at bank	608
	<u>625</u>

Current liabilities	
Bank loan (secured)	28,000
Trade and other payables	19,830
Amounts due to group companies	190,090
	<u>237,920</u>
Net current liabilities	<u>(237,295)</u>
Net liabilities	<u><u>(234,295)</u></u>
Share capital	1
Accumulated losses	<u>(234,296)</u>
Shareholders' deficits	<u><u>(234,295)</u></u>

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited interim condensed financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period under review except for Paragraph 14 of the said Appendix.

The current formation of the audit committee includes two non-executive directors but only one of them is an independent director. This does not comply with Appendix 14 of the Code of Best Practice which requires the majority of the Audit Committee members should be independent directors. The reason for the non-compliance is attributable to the fact that several independent directors of the Company tendered their resignations in September and October 2001, leaving only one independent director. However, the Board of Directors of the Company is considering the appointments of two additional independent directors.

By Order of the Board

Whong Shuk-ping, Anita

Director

Hong Kong, February 25, 2002