

MANAGEMENT DISCUSSION AND ANALYSIS

Change in controlling shareholder

On 9 October 2001, a share sale agreement (the “Share Sale Agreement”) was entered into between Great Fortune Investment Limited (“Great Fortune”) and Yu Ming Investment Limited (“Yu Ming”), the then single largest shareholder of the Company, pursuant to which Great Fortune conditionally agreed to acquire 1,550,000,000 shares in the Company, representing approximately 26.5% of the then issued share capital of the Company, for a consideration of HK\$51,800,000.

On 16 October 2001, the Share Sale Agreement was completed and Great Fortune becomes a substantial shareholder of the Company.

Messrs. Wong Hiu Tung and Meng Xiaojing were then appointed as the directors of the Company.

Business Review

The Group’s turnover for the six months ended 31 October 2001 was HK\$0.68 million, representing a decrease of 96% over the same period last year. Turnover was mainly derived from property investment in the PRC and Canada while in the previous period, the Group derived income from freight forwarding business which was subsequently disposed of. During the period under review, the Group’s loss attributable to shareholders amounted to approximately HK\$110.8 million compared to profit of HK\$15.3 million for the six months ended 31 October 2000. This is primarily due to the provision of HK\$83 million on the Group’s investment securities. The Group was previously an investment holding of companies engaged in internet-enabling and related technology business. Due to global economic downturn and the difficult operating environment encountered by internet related companies, the returns on the Group’s investments was much lower than those in the old economy.

The Group is in the process of restructuring its assets. This will enable the Group to improve its liquidity position and support its future investments in the PRC properties and biotechnology related projects.

Confronting with the current global economic downturn, the Group is determined to make every endeavor to overcome the obstacle by strategic solutions. These include effective reallocation of resources to profitable operations.

The Group believe that the successful accession of the PRC to the WTO and the hosting of 2008 Olympic Games represent substantial momentum and business opportunity for the Group. The management will strive to expand the property investment and biotechnology coverage in PRC and make every endeavor to excel the Group’s business in the future.

Substantial investment

In August 2001, Spot On Assets Limited (“Spot On”), a wholly owned subsidiary of the Company acquired the entire share capital of Best Modern Properties Limited (“Best Modern”) together with its shareholders’ loan for an aggregate consideration of HK\$150 million. The sole business of Best Modern is the holding of 39% interest in Shanghai Xin Yao Real Estate Development Company Limited whose key business is the undertaking of a development project in Yang Pu District, Shanghai, the PRC.

Liquidity and financial resources

As at 31 October 2001, the Group had cash and cash equivalent of HK\$4.9 million and total bank borrowings of HK\$3.1 million. The bank borrowings are denominated in Canadian dollars and secured by the Group’s property situated in Canada. The Group's net current assets and shareholders' funds as at 31 October 2001 were HK\$5.8 million and HK\$474.4 million respectively. The Group's gearing ratio, computed as the ratio of total bank borrowings to shareholders' funds, was merely 0.65%.

In November 2001, the Group proposed a rights issue to raise HK\$35 million net of expenses. The proceeds are intended for funding new investments and additional working capital for the Group. The Group believes that this together with its liquid asset value and future revenue will be sufficient to fund future expansion and working capital requirements.

Contingent liabilities and commitments

Apart from those disclosed in note 11 to condensed consolidated financial statements, the Group presently does not have any material capital commitments or contingent liabilities.

Employees

As at 31 October 2001 the Group employed a total of about 20 employees. The remuneration policy and package of the Group’s employee are reviewed and approved by the Board. Remuneration package of the staff includes salaries, medical insurance and Mandatory Provident Fund retirement benefits.

The Company has established a share option scheme whereby employees of the Group may be granted options to acquire shares of the Company.