

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Operation Review

Turnover for the six months period ended 31 December 2001 was approximately HK\$2 million when compared with that of approximately HK\$6 million in the corresponding period of last year. The drop in turnover was the result of the termination of the existing tenancy agreements. Management expects improvement in turnover in the coming months upon the commencement of the new tenancy agreements.

The Group is continuing with its transformation from a property-oriented business to a high technology oriented business. During the period under review, the Group has completed its acquisition of a 20% equity interest in Sky Citi-Link ATNT (Holdings) Limited, a leading satellite communication services operator in Asia in possession of a fixed line network-operating licence for outboard calls from Hong Kong. The Group has also exercised its right under an option agreement to acquire an additional 15% equity interest in Etrade Century Limited which is contracted to provide consultancy and design services and technical support to a website, thereby increasing the Group's interest in Etrade Century Limited to 50%. Both of these projects are expected to provide a plausible stable and recurring income for the Group in the medium term.

Liquidity, Financial Resources, Capital Structure and Contingent Liabilities

As at 31 December 2001, the Group's gearing ratio, calculated on the basis of the Group's interest bearing debts (comprising bank and other borrowings and overdrafts, obligations under hire purchase contracts and finance leases) over shareholders' funds, has deteriorated slightly to 29.7% (as at 30 June 2001: 25.6%).

During the period under review, the Group, following negotiations with its bankers for the restructuring of certain bank loan facilities, has successfully converted approximately HK\$29 million bank revolving loan into a three-year term loan and increased the facility to HK\$37 million. In addition, subsequent to the period under review, the Group is underway to negotiate with its bankers and creditors to restructure a short-term loan with interest accrued into a medium-term loan which amounts to approximately HK\$14 million. Management believes that this contributes to improved liquidity of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity, Financial Resources, Capital Structure and Contingent Liabilities (continued)

As at the interim reporting date, the Group had short-term loans and overdrafts facilities with banks and financial institutions totalling approximately HK\$32,477,000 (as at 30 June 2001: HK\$67,754,000) and long-term borrowings amounted to approximately HK\$67,208,000 (as at 30 June 2001: HK\$24,028,000). As all of the Group's bank balances and borrowings were denominated in Hong Kong dollars and United States dollars, exposure to exchange fluctuation is considered minimal.

In line with the Group's diversification strategy, each of Welchem Development Limited and World Joy Limited, both of which are wholly-owned subsidiaries of the Group, have entered into agreements with independent third parties to sell the property under development and the property held for sale, both of which are located in the PRC. The sale proceeds amounting to RMB88 million (equivalent to approximately HK\$85 million) and RMB8 million (equivalent to approximately HK\$7.8 million) respectively will be credited to the Group on completion, which is expected to take place subsequent to the interim report date, to provide additional financial resources to the Group. The Group's investment properties located in Hong Kong will continue to generate rental income under the new tenancy agreements.

Guarantees amounted to approximately HK\$61,950,000 as at 30 June 2001 given by the Group to certain banks in respect of banking facilities granted to Jilin Motor City Park Hotel Company Limited, a former subsidiary of the Company, have been released during the period under review, hence resulting in a significant decrease in the Group's contingent liabilities as at 31 December 2001 when compared with that of 30 June 2001. Further details of the Group's contingent liabilities as at 31 December 2001 are set out in Note 14 to the Condensed Financial Statements.

Other Matters

There were no material changes in the Group's remuneration policies, future plans, significant investment held, or charges on the Group's assets since the most recent published annual report. The management are not aware of any seasonal or cyclical factors that affect the interim results of the Group.