Management Discussion and Analysis

TURNOVER AND PROFIT

Turnover for the year was HK$66.7 million, decreased by about HK$34.6 million as compared to the records in 2000, which was mainly derived from the continuing operation of trading of listed securities, interest income and rental income and discontinued operation of property management income.

The Group reported an increase in profit attributable to shareholders by about 59% to HK$38.1 million (2000: HK$23.9 million) and an increase in basic earnings per share by about 28% to HK cents 1.76 (2000: HK cents 1.37).

LIQUIDITY AND CAPITAL STRUCTURE

As at 31 December 2001, the current assets amounted to approximately HK$375.4 million (2000: HK$203.5 million). The current ratio and the quick ratio were 7.92:1, reflecting a relatively safe level in liquidity status.

The Group's financial resources were divided into short-term liabilities of HK$47.4 million (2000: HK$34.1 million), non-current liabilities of HK$44.1 million (2000: HK$46.2 million) and the remaining shareholders' fund. Extracted from the short-term and non-current liabilities, the aggregate balance of loans and overdrafts with financial institutions was HK$62.3 million (2000: 68.6 million) which were secured by the Group's certain investment properties together with the right to receive rentals thereon.

The maturity profile of loans and overdrafts with financial institutions is analysed as follows:

Maturity	**As at 31 December 2001**	As at 31 December 2000
Within 1 year or on demand	**HK$18.2 million**	HK$22.8 million
After 1 year but within 2 years	**HK$3.4 million**	HK$3.0 million
After 2 years but within 5 years	**HK$11.2 million**	HK$10.5 million
After 5 years	**HK$29.5 million**	HK$32.3 million
Total	**HK$62.3 million**	HK$68.6 million

The Group's assets pledged with financial institutions for the above debts are set out below:

1) commercial units of Wing Fai Centre and the first floor and roof of Wing Fok Centre, in Fanling, New Territories, Hong Kong; and

2) 22 carparking spaces located in Carado Garden, Shatin, New Territories, Hong Kong

During the year, the Company had raised funds of about HK$98.7 million by new share placements.

TURNOVER AND PROFIT (cont'd)

All the borrowings and major funds were sourced from Hong Kong and most monies and assets were measured in Hong Kong dollars, there is no significant exposure to foreign exchange rate fluctuations. All such funds were used in acquisitions, investments and daily business operations.

The capital gearing ratio as at 31 December 2001 was maintained at a reasonable level of 12.6% (2000: 23.0%). It is calculated as bank loans and overdrafts of HK$62.3 million (2000: HK$68.6 million) over the shareholders' fund of HK$494.4 million (2000: HK$298.1 million).

BUSINESS REVIEW

The Group had disposed of certain properties in Shanghai, the PRC, which were acquired in 2000 at a price of HK$24 million for resale, at a consideration of HK$25 million. As such, the Group recorded a profit of HK$1 million.

As the property market of Hong Kong has long been stagnant, the Group had sold its property at mid-level at a consideration of HK$29.5 million and recorded a loss of HK$5.5 million. The directors believe that this sale was to the best interests of the Group.

In March 2001, the resolution to acquire the 98% equity interest in Shanghai Taigu Apartment Service & Management Co., Ltd. had been duly approved by the shareholders in a general meeting. As certain precedent conditions to the sale and purchase agreement could not be fulfilled, the above acquisition could not be completed on time. On 28 September 2001, the company announced that the acquisition had been terminated.

In 1999, the Group acquired a property management operation through the acquisition of a company, namely, Sherwell Property Corp. and was guaranteed that within two years, the aggregate management fees receivable for each year would be no less than HK$10 million. However, the guarantee period had expired and the relevant property management income was not satisfactory. In view of this, the Group had disposed of this property management business at a consideration of HK$59 million in 2001. The directors believe that the sale of this business was to the best interests of the Group.

In November 2000, the Group entered into an agreement with Sing Tong Information Technology Company Limited ("Sing Tong") for the acquisition of 7% equity interest in a sino-foreign co-operative joint venture in the PRC and for this consideration, paid a deposit of US$2.8 million. As the approval of the relevant authorities in the PRC was required and it was lengthy to obtain such approval, the acquisition could not complete before 6 May 2001 as stipulated in the agreement. As such, the deposit of US$2.8 million had then been refunded to the Group. In January 2002, the Group had agreed with Sing Tong in writing to terminate the agreement. Nevertheless, the Group would closely maintain a relationship with Sing Tong to develop any business opportunities in respect of information technology.

BUSINESS REVIEW (cont'd)

In 2001, the Group disposed of one of the villas in Mandarin City for a consideration of RMB6.8 million. The decision on this sale was made with due considerations on the property market and the rate of capital return. The directors believe that the sale was to the best interests of the Group.

In 2001, the Xian property project of the Group achieved a rapid and encouraging progress. The Group has established a joint venture with a reputable local property developer in Xian to jointly develop the Xian property project.

PROSPECTS OF INVESTMENTS

In November, 2001, the Group set up China Wanan Group Limited ("Wanan") with two independent third parties and holds a 50% equity interest in Wanan. Wanan executed a share purchase agreement on 6 December 2001 with Charcon Assets Limited to acquire 29.9% equity interests in Pearl Oriental Holdings Limited ("Pearl Oriental", Hong Kong Listing Code 988) in a consideration of HK$112 million; whereby, the Group became the major shareholder of Pearl Oriental and appointed representatives in the board of directors of Pearl Oriental. Currently, Pearl Oriental had made or fulfilled some agreements of debt restructuring with various bankers. Further, the constructions of many property development projects has started up again recently. The directors believe that, through such acquisition, the Group's property base and operating capacity can be substantially enhanced as well as our overall strength and market status. Higher returns are expected to be achieved for the shareholders of the Company in the future.

Up till now, the Group's landbank for property development in Xian has substantially increased. As north-western China region now becomes the landmark designated by the PRC Government for major development in the coming years, it is expected that the investment in this region will become the Group's new hallmark of growth and drive.

EMPLOYEES

As at 31 December 2001, the Group had 72 employees. They were remunerated according to the nature of the job and market condition, with built-in merit components incorporated in annual increments to reward and motivate them. Total staff costs for the year were HK$5.5 million (2000: HK$3.8 million).