

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP PERFORMANCE

With confidence in continuing demands of office premises in Beijing, the Group concentrates on its principal business in property development and property investment in Beijing. Apart from the existing investments in Investment Plaza and China Securities Building ("CSB") the Group did not make any other investment during the year.

For the year ended 31 December 2002, the consolidated turnover and consolidated net loss of the Company and its subsidiaries (the "Group") amounted to HK\$2,658,000 and HK\$137,109,000 respectively as compared with last year's consolidated turnover of HK\$37,227,000 and last year's consolidated net loss of HK\$74,589,000. The basic loss per share for the year was 50.5 cents as compared with basic loss per share of 28.1 cents for 2001.

The loss sustained by the Group during the year under review was due to (a) the adoption of devaluation to the extent of HK\$55,745,000 in our investment property; (b) allowance of HK\$9,190,000 made for receivables; (c) increase of HK\$10,306,000 in finance cost; and (d) no property sales.

During the year, the Group's financial position worsened with net liabilities increased by HK\$204,756,000 (2001: HK\$26,300,000 decreased) mainly because of a net loss of HK\$137,109,000 (2001: net loss HK\$74,589,000) and a total decrease of HK\$67,647,000 (2001: increase of HK\$80,480,000) in revaluation surplus.

There was no significant change in the interest rate of the existing bank borrowings during the year. As the Group carries out its principal business in Beijing with construction costs, borrowings and property sales predominantly denominated in Renminbi, the Group has minimal exposure to fluctuations in foreign exchange rates.