

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (six months ended 30 June 2002: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 June 2003, turnover of the Group amounted to HK\$17,127,000 (30 June 2002: HK\$31,533,000). Net loss for the period was HK\$71,136,000 (30 June 2002 net profit was HK\$36,669,000) and loss per share was HK\$0.52 (30 June 2002 earnings per share: HK\$0.35).

During the period, the Group continues to engage in investment in securities and property investment. Due to the trading environment deteriorating, one of the wholly owned subsidiary of the Company which is principally engaged in the trading of handbags ceased operation and has no contribution to the Group's total revenue.

Revenue from investment in securities amounted to HK\$13,476,000 representing approximately 78.7% of the Group's total revenue. As at 30 June 2003, the carrying value of the investment in China Gas Holdings Limited ("China Gas") amounted to HK\$60,689,000 and it represented approximately 6.8% interest in China Gas.

During the reporting period, rental income from 1 Lyndhurst Tower amounted to HK\$3,651,000, representing 21.3% of the Group's total revenue and over 60% of the total gross floor area was leased out.

### Financial Review

#### *Liquidity and Financial Resources*

The Group has a current ratio of approximately 0.96 compared to that of 1.75 as at 31 December 2002 and the gearing ratio was 1.29 compared to that of 0.85 as at 31 December 2002. The calculation of gearing ratio was based on the total borrowing of HK\$171,148,000 (of which HK\$20,400,000 bears fixed interest rate and HK\$150,748,000 bears floating interest rate) and the net assets of HK\$132,204,000 as at 30 June 2003.

There were no significant capital commitments as at 30 June 2003 which would require a substantial use of the Group's present cash resources or external funding.

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are denominated in Hong Kong dollars.

*Charged on Assets*

As at 30 June 2003, all the Group's investment properties and the issued shares of China Faith Limited, a wholly owned subsidiary of the Company, are pledged and the rental income in respect of the investment properties under operating leases are assigned to a bank against a bank loan of HK\$143,500,000 granted to the Group (as at 31 December 2002: HK\$147,400,000)

Other investments of HK\$60,689,000 (31 December 2002: HK\$101,431,000) are pledged against margin and other loan facilities granted to the Group.

*Contingent Liabilities*

The Group did not have any material contingent liabilities as at 30 June 2003.

*Employees and Remuneration Policies*

As at 30 June 2003, the Group has approximately 10 employees. Remuneration is determined by reference to their qualifications and experiences of the staff concerned. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

**PROSPECTS****16**

It is our Group's policy to maximize our shareholders' value of investment. The Directors will continue to explore business opportunities that are valuable to the Group and to our shareholders concerned.

**DIRECTORS' INTEREST IN SHARES**

As at 30 June 2003, none of Director and chief executive of the Company is interested in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.