

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

The Board of Directors (the "Board") of Singapore Hong Kong Properties Investment Limited (the "Company") is pleased to announce the unaudited interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003.

Corporate Results

The Group recorded a turnover of HK\$358,000 which represented a decline of 89% to the turnover of HK\$3,276,000 in the corresponding period of 2002. The reduction was mainly brought by the lower rental value received following the disposal of properties during the second half of 2002 and the increasing vacancy in the properties portfolio as a result of the declining retail and commercial leasing market. Loss attributable to shareholders however improved substantially from HK\$82,733,000 in last period to HK\$14,753,000 in the current period which represented a loss reduction of 82%. The decrease in losses in the current period was owing to a lower financial cost of HK\$10,971,000 (2002: HK\$30,552,000) and no further impairment loss was provided for the properties portfolio (2002: HK\$45,950,000).

Financial Resources and Liquidity

Issue of shares

Following the completion of the par value reduction from HK\$0.025 to HK\$0.001 per share and the consolidation of shares in the ratio of 100 to 1 in November 2002, the Company is in a much better position to raise new equity through capital market. In June 2003, the Company successfully placed 60,000,000 new shares of the Company, represented 16.5% of the enlarged issued share capital, to five individuals at par of HK\$0.1 per share and received a net proceed of approximately HK\$5,866,000 which had been used to repay the Group's indebtedness and to provide additional working capital for the Company.

Borrowings

The Group's total borrowings (excluding trade and other payables) amount to HK\$138,909,000 as at 30 June 2003 which represented a slight decrease of 1.5% from the total borrowings of HK\$141,091,000 as at 31 December 2002. Most of the bank borrowings totaled HK\$113,443,000 (31 December 2002: HK\$113,450,000) have not been serviced during the period in accordance with their respective repayment schedules and the Group had accrued additional penalty interest in respect of those non-servicing loans. At present, the Board is continuing its negotiation with the banks seeking for a restructuring proposal and thereby further reduced the borrowing level of the Group. As at 30 June 2003, the properties portfolio with carrying value of HK\$43,500,000 (31 December 2002: HK\$43,500,000) and a motor vehicle with net book value of HK\$444,000 (31 December 2002: HK\$550,000) had been pledged to the financial creditors as security for the above borrowings.

Current Ratio

The current ratio is 0.26 which showed a slight reduction of around 4% from 31 December 2002 of 0.27. Taking into consideration of the projected proceeds derived from the continue assets realization program and the restructuring of bank loans together with the fund raising through right issues or placements, the directors are of the opinion that sufficient working capital are available to fulfill the financial obligations when they fall due and to meet the future funding requirement of the Group.

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2003 (six months ended 30 June 2002: Nil).

Review of Operations, Outlook and Strategy

Business Review

During the first six months of 2003, the property market in Hong Kong in particular the retail segment suffered another downturn caused by the outbreak and widespread of the atypical pneumonia. Due to the stringent and sluggish market conditions, the Group only posted a turnover of HK\$358,000 as compared with HK\$3,276,000 in the corresponding period in 2002. Of the four properties portfolio on hand, only one of which was fully leased and two of them have been left vacant throughout the period. Even so, the Group was managed to reduce its loss from operation from HK\$6,223,000 in last year's period to HK\$3,782,000 in the current six months as a result of the cost reduction measures so implemented.

Exchange rate exposure

As most of the assets and liabilities of the Group are denominated in Hong Kong dollar, the Board considered the Group is not subject to any material exchange rate exposure.

Staff and Remuneration Policy

The number of employees (including Directors) as at 30 June 2003 was maintained at 9 persons. Employees are remunerated according to nature of the job and market conditions.

Corporate Strategy and Outlook

The property market in Hong Kong remains highly depress in the first half of 2003 as a result of the continuous economic recession, declining retail market and inflated unemployment rate. In view of the present situation, the board will continue to take a very prudent approach in directing the Group in this difficult period. The negotiation with banks for debt restructuring scheme remains positive and the Board expected that the Group could finalize those schemes within this year and the Group has already reached a compromise agreement with two banks and one of the two had been completed in August 2003. The Board will continue to improve the capital base of the Company through right issues or placement, from time to time if market situation allow.

With all the above measures in place, the board is optimistic that the Group will be able to get through this difficult period and ready to capitalize on the recovery of the property market and Hong Kong economy.

The board owes a lot of gratitude to the Group's bankers, creditors, management and staff for their continuing support in such a hard time.

On behalf of the Board

Ha Shu Tong

Managing Director

Hong Kong SAR, 27 September 2003