

Jointly Controlled Entity

The Group's share of profit from the 30% owned consumer goods retailer operating in Shanghai and Suzhou increased by 25% to HK\$1,975,000. Though adversely affected by the outbreak of the Severe Acute Respiratory Syndrome (SARS) in Shanghai, this retail company managed to increase its overall sales for the half year by close to 20% after a series of successful promotion campaigns. The retail company is expected to perform well in the remainder of the year.

Associate

The Group's share of loss from the 37% owned general hospital operating in Xian was HK\$2,802,000 for the half year. The outbreak of SARS in Beijing and Shanghai and later in Xian had to a large extent adversely affected the operations of this hospital. When SARS was sweeping across the cities, the demand for the hospital's medical consultation and health care services decreased drastically which resulted in an overall drop of its revenue for the six months period. With the effect of SARS fading, activity of the hospital is gradually returning to its normal level.

Financial Review

Liquidity, Financial Resources and Capital Structure

The Group was in strong liquidity position throughout the first half year. At 30th June, 2003, the Group had cash balances and marketable listed securities totalling HK\$104,558,000 (excluding pledged bank deposits) and net current assets of HK\$20,984,000. The level of surplus cash decreased compared to the preceding balance sheet date as funds were applied to finance the increased level of financing and securities investment activities.

The Group's bank and other borrowings increased by 15% to HK\$215,056,000 compared to the preceding year end date. These borrowings are repayable within one year and the majority of them carry fixed interest rates. In terms of currency denomination, about 75% of these borrowings were in Renminbi with the balance in Hong Kong dollars. Funds raised from new borrowings were primarily used as additional working capital of the Group.

There had been no change to the Company's issued share capital during the period. At 30th June, 2003, shareholders' funds of the Group was HK\$515,497,000, equivalent to a consolidated net asset value of HK42 cents per share of the Company. Gearing ratio as of the period end date calculated on the basis of the Group's net borrowings of HK\$129,349,000 (after deducting bank balances, cash and deposits totalling HK\$85,707,000) over shareholders' funds was at the low level of 25%.

Foreign Currency Management

For the period under review, the Group's exposure to foreign exchange risk continued to be insignificant for reasons as outlined in the Company's 2002 Annual Report.

Pledge of Assets

At 30th June, 2003, certain bank deposits and land and buildings of the Group with aggregate carrying value of approximately HK\$95,878,000 (at 31st December, 2002: HK\$112,319,000) were pledged to secure credit facilities granted by banks.

Capital Commitments

At 30th June, 2003, the Group has an outstanding commitment of approximately HK\$19,000,000 in respect of the acquisition of the entire equity interests of a securities brokerage company. The acquisition is made for reasons that the Group is optimistic about the long term prospect of the Hong Kong securities industry and the role of Hong Kong as the leading financial center in Asia. Subject to fulfillment of certain conditions, the acquisition is expected to be completed in the latter part this year.

Contingent Liabilities

The Group had no material contingent liabilities at 30th June, 2003.

Employees and Remuneration Policy

For the first half year, there was no material change to the Group's remuneration policy and the number of employees from those disclosed in the Company's 2002 Annual Report. Total staff costs incurred for the period, including directors' remuneration, was approximately HK\$21,000,000 (six months ended 30th June, 2002: HK\$18,000,000).

Business Prospects

The results of the first half of 2003 are encouraging and it is the priority of the management to continue their efforts to further improve performance of the Group. Our goal is to build a diversified business portfolio with strong recurrent earnings base and capability for further growth. We will continue to look for business opportunities to achieve this, and focus will be placed on those that are Mainland-related and well positioned to benefit from the continuous growth of the China's economy.