

Liquidity and financial information

The Group's total borrowings as at 30th September 2003 amounted to approximately HK\$672 million compared with approximately HK\$894 million as at 31st March 2003. Cash and bank balances amounted to approximately HK\$622 million as at 30th September 2003 compared with approximately HK\$789 million as at 31st March 2003. Net borrowings amounted to approximately HK\$50 million as at 30th September 2003 compared with approximately HK\$105 million as at 31st March 2003.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 43% as at 30th September 2003 compared with approximately 32% as at 31st March 2003. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was approximately 3% as at 30th September 2003 compared with approximately 4% as at 31st March 2003.

Of the Group's total borrowings as at 30th September 2003, HK\$62 million (9%) would be due within one year, HK\$60 million (9%) would be due in more than one year but not exceeding two years, HK\$235 million (35%) would be due in more than two years but not exceeding five years and the remaining balance of HK\$315 million (47%) would be due in more than five years.

The above borrowings included the bank borrowings of HK\$662 million, which were secured by the first charges on the investment property and other specified assets of the Group and corporate guarantees from the Company.

The Group has limited exposure to foreign exchange fluctuations as most of its transactions including the borrowings are mainly conducted in Hong Kong dollars.

BUSINESS REVIEW AND OUTLOOK

During the period under review, Hong Kong's economy has been on the road of recovery. Stock prices went high and so have other market activities in general. Most importantly, consumer confidence has shown signs of improvement and people appear to be willing to spend again. The relaxation of travel restrictions for PRC nationals to enter Hong Kong has also been helpful in making Hong Kong's restaurants and shops busier in some commercial and retail districts such as the Causeway Bay where the Company's principal investment property, Elizabeth House Commercial Podium ("E-House"), is located. As a result, the rental income from E-House has been improving and has reached the level of pre-SARS earlier this year because most of the vacant spaces have been taken up by new tenants and monthly rentals have been received in a timely fashion.

There was a change of controlling shareholder of the Company in the middle of this year, and also the change of the Board members, management and the name of the Company. Following the completion of the Group Reorganisation and the sale and purchase of shares, representing approximately 74.3% of the entire issued share capital of the Company, on 20th June 2003 and 26th June 2003 respectively, Mr. Lau Kan Shan through his controlled corporation, Mexan Group Limited, has become the controlling shareholder of the Company. Details of the Group Reorganisation and the sale and purchase are contained in the Company's circular dated 10th April 2003 and the composite offer document issued jointly by Mexan Group Limited and the Company on 30th June 2003.

The Governments of the Hong Kong SAR and China entered into the Closer Economic Partnership Arrangement ("CEPA") in June 2003. Under the CEPA, Hong Kong professionals and business entities enjoy certain privileges to gain access to the China market and the same applies vice versa. It is believed that the CEPA will open up a new era for our economy.

To meet the increasing demand for hotel and other living accommodations in Hong Kong in the past months, the Board has decided to acquire an approximately 800-room hotel under construction from the Hutchison Whampoa group ("Hutchison") subsequent to the period end on 20th October 2003. The hotel is located in Rambler Crest, Tsing Yi and near the Hong Kong International Airport which is about ten minutes away by train from a nearby station. The hotel is designed for visitors to the Hong Kong Disneyland which will be open to the public in 2005. This transaction is strategically important as not only it will add a quality asset to the Group's investment portfolio which can produce a steady cash flow, but more important, the deal has brought in Hutchison as the strategic shareholder of the Company by the issue of shares of the Company as part of the purchase consideration. As a prudent initiative, the Group will enter into a management agreement upon completion of the sale and purchase of the hotel with Harbour Plaza Hotel Management Limited which is a reputable hotel management company to manage the hotel for the Group as well as provide a minimum EBITDA guarantee of HK\$21,000,000 for each of the three years commencing from the date of the management agreement. The Board expects the hotel to benefit from the combination of a growing tourist flow and the ideal location of the premises.

As part of the consideration for the purchase of the hotel, the Company issued convertible notes for an amount of HK\$160 million to Hutchison and its nominee on 5th November 2003 whereupon the noteholders have the right to convert up to a maximum of 53,333,333 shares of the Company at the initial conversion price of HK\$3.00 per share, subject to adjustment, within three years from the date of issue.

Action is being taken to upgrade the floor plan of E-House, expecting to generate a higher level of rental income. Moreover, the Board intends to review the operation of the Group including the utilization of the cash balance retained with a view to enhancing its asset base and broadening its income stream by seeking further investments in synergetic or prospective business if there arises such opportunities, which the Board may think fit and are allowed under the relevant regulatory provisions.

EMPLOYEE INFORMATION

As at 30th September 2003, the total number of employees of the Group was approximately 10 (2002: 35). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on a periodic basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30th September 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30th September 2003.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") adopted by the Company on 8th September 1998 has expired since 8th September 2001. However, the options granted under the Share Option Scheme continued to be valid and exercisable during their respective option period. A total of 104,200,000 share options were granted under the Share Option Scheme on 21st March 2000 to certain directors and employees of the then Group (the "Optionholders") entitling the holders thereof to subscribe for shares of HK\$0.10 each of the Company at a subscription price of HK\$0.68 per share (subject to adjustment) during the period from 21st March 2000 to 20th March 2003.

Pursuant to an agreement (the "Share Option Agreement") made between the Company and the Optionholders on 18th March 2003, details of which are contained in an announcement dated 20th March 2003 issued by the Company, the option period during which the Optionholders were entitled to exercise the share options was extended by six calendar months from 21st March 2003.