

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and future prospects

During the period under review, the Group's gain attributable to shareholders amounted to approximately HK\$36.2 million compared to loss of HK\$16.5 million for the six months ended 31 October 2002. The majority of the current period profit was derived from the disposal of equity interests in a subsidiary and an associate of the Group.

Following the recent change of management team and name of the Company, the Group is currently focusing on pursuing business expansion in the field of property investments and development in the PRC, with an aim to strengthen the assets and income base of the Group.

In particular, a wholly-owned subsidiary of the Group signed a subscription and shareholders' agreement on 29 October 2003 in relation to the joint development of Phoenix Tower in Shenzhen, the PRC. It is expected that construction of the development project will commence in 2004 and will be completed by the end of April 2006. The development is planned to be a complex of office building, service apartments and shopping arcade with a gross floor area of around 80,000 square meters, consisting of around 48,700 square meters for public sale. The board is of the view that the subscription provides the Group with an investment opportunity for its business expansion in the field of property investment and development in the PRC.

The new management anticipates that the property market in the PRC will continue to be stimulated by factors including continued growth in the PRC economy, particularly in the post-WTO era, continued growth in investment in fixed assets in the PRC. The rapid economic growth in the PRC and the rising disposable income level have created a tremendous local consumption power in demanding for properties in the PRC, especially in Shanghai and Beijing. The new management is also evaluating and exploring business and investment opportunities made available to the Group which could be in the long-term interest and to the benefit of the Company and the shareholders.

The board of directors believes that the ample management and property related experience of the new management team will help to strengthen the management ability of the Group for its future business expansion and development in the field of property investment and development in the PRC and in identifying new property investment with earning potentials and benefit the Group in the long run.

After the joining of the new management members, the Group has recorded an unaudited profit attributable to shareholders of approximately HK\$36.2 million in these interim results. The new management will continue to focus on developing and investing in the property market in the PRC and at the same time, pursuing other business opportunities with a view to bringing long-term benefits to its loyal shareholders.

Liquidity and financial resources

As at 31 October 2003, the Group had cash and cash equivalents of HK\$56.6 million and there has been no bank borrowings. The Group's net current assets and shareholders' funds as at 31 October 2003 were HK\$171.9 million and HK\$318.6 million respectively.

The Group believes is liquid asset value and future revenue will be sufficient to fund future expansion and working capital requirements.

Employees and Remuneration Policies

As at 31 October 2003, the Group employed a total of 13 employees. The remuneration policies and packages for the Group's employee are reviewed and approved by the Board. Remuneration package of the staff include salaries and Mandatory Provident Fund retirement benefits.

DIRECTORS' INTERESTS IN SHARE CAPITAL OR DEBENTURES

As at 31 October 2003, the interests of the directors and chief executive of the Group and their respective associates in the equity or debt securities of the Company or any of its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Number of shares of HK\$0.01 each held	Nature of interest	Approximate percentage holding
Mr. Li Song Xiao	1,200,000,000	Corporate (<i>Note</i>)	57.81%

Note:

These shares are held by Invest Gain Limited, which is beneficially wholly-owned by Mr. Li Song Xiao.

Other than as disclosed above, neither the directors nor the chief executive, nor any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTIONS

As at 31 October 2003, the following options to subscribe for shares were outstanding under the Company's share option scheme adopted on 19 August 1993 and as amended on 24 October 2000:

Name of category of participant	Number of share options outstanding at beginning of period '000	Exercise period	Number of share options outstanding at end of period '000
Employees, in aggregate	50	1 August 2001 to 29 October 2005	50*

* The options were cancelled on December 2003 after resignation of the relevant employees from the Group.