

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

For the six months ended 31 October 2003, the turnover of the Group amounted to approximately HK\$1,811,000 representing a 58% decrease as compared to HK\$4,318,000 of last corresponding period. Such decrease was mainly due to decrease in trading of the short term listed investments and the suspension of provision of property management service to the commercial complex in Malaysia.

The Group recorded an unaudited consolidated operating profit of approximately HK\$1,246,000 (loss for 2002: HK\$20,796,000), the profit was mainly due to gain on securities trading and the increase on fair values of short term investments amounted to approximately HK\$4,261,000. Finance costs for the period under review amounted to approximately HK\$678,000 (2002: HK\$31,024,000) was significant reduced by 97% compared to last corresponding period, and the unaudited consolidated loss attributable to shareholders for the period was approximately HK\$2,058,000 (loss for 2002: HK\$53,699,000) and the loss per share was 0.15 HK cents (2002: loss per share of 256 HK cents).

Liquidity and capital resources

As at 31 October 2003, other than the HK\$20 million convertible notes (“CB”) whose maturity is in December 2005, the Group has neither bank borrowing nor loan as at the balance sheet date. Total current liabilities of the Group were about HK\$26.1 million as at the balance sheet date (2003 April: HK\$22.4 million); mainly comprised of temporary deposits, accounts payable and accruals. As at 31 October 2003, the Group maintained a cash and bank balance of approximately HK\$725,000 with a current ratio of about 1.28 (2003 April: 1.3). At present, the Group does not have any capital commitment for capital expenditure or investment purpose. The management may look into the equity or debt market for raising additional funds and working capital whenever appropriate.

Other than the pledge of the hotel complex in Malaysia to the bank consortium by the jointly controlled entities for obtaining the syndicated bank loan, the Group has also pledged HK\$28.8 million value of listed securities in its securities portfolio to a financial institution for securities margin financing as at 31 October 2003.

Employment and remuneration policy

The Group has 5 employees as at 31 October 2003. Remunerations were reviewed periodically in accordance with market situations and the performance of individual staff.

Foreign exchange exposure

The hotel complex in Malaysia represents the largest investment of the Group at present, thus the exchange rate of Ringgit Malaysia may affect the Group's overall value. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal, no foreign exchange and interest rate risk management or related hedges were made at present. Proper policy will be in place when the Board considers appropriate.

Business review and prospect

For the six months ended 31 October 2003, the Group's securities trading activities recorded a turnover of approximately HK\$1,811,000, and a gain on changes in fair values of short term listed investments of approximately HK\$4,261,000 was recorded at the balance sheet date (2002: loss of HK\$15,915,000). The Board expects the Group's securities trading will be coming active and the Group will be benefited from the recovering capital market, and further improvement shall be seen in the coming year.

The commercial complex in Malaysia is running at a loss, and the loss of the jointly controlled entities shared by the Group was approximately HK\$2,626,000 (2002: HK\$1,870,000). The office tower, retail podium and car park of the commercial complex had been under receivership since June 2002; solution to rescue the project has not been achieved yet.

On 16 September 2003, Smartgood Investments Limited ("Smartgood"), a company with limited liabilities incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Zhou Weirong converted 1,863,000 convertible preference shares ("CPS") of the Company, into 232,875,000 ordinary shares of HK\$0.05 each of the Company ("Shares"), and on 19 September 2003, Smartgood entered into an agreement with Perfect View Development Limited ("Perfect View"), the then controlling shareholder of the Company, to acquire 906,000,000 Shares from Perfect View. Immediate following the acquisition of 906,000,000 Shares from Perfect View, Smartgood became the single largest shareholder of the Company, holding 1,138,875,000 Shares representing approximately 74.88% of the then total issued Shares of the Company and entire CB of the Company, as such Smartgood was obliged under the Hong Kong Code on Takeovers and Mergers to make a mandatory unconditional cash offers (the "Offers") for all the issued Shares and all the outstanding CPS not already owned and/or agreed to be acquired by it and parties acting in concert with it. The Offers was closed on 26 November 2003, and following the close of the Offers, Mr. Zhou Weirong was appointed as an executive Director and Chairman of the Company.

The Board believes the Group's long term development will be definitely benefit in virtue of Mr. Zhou's abundant business experience and extensive business network and connection in the PRC. The Board will continue to look for investments with reasonable return by investing on quality properties projects in Hong Kong or the PRC, and the Board believes the Group will continue growth and development given the post SARS economic recovery in Hong Kong and the projected continue growth in the PRC's economy.