

Management Discussion and Analysis

Business Review

For the year ended 31 December 2003, turnover of the Group amounted to HK\$25,287,000 (for the year ended 31 December 2002: HK\$43,126,000). Net loss for the period was HK\$107,791,000 (for the year ended 31 December 2002 net loss was HK\$83,349,000) and loss per share was HK\$0.73 (for the year ended 31 December 2002 loss per share was HK\$0.76).

During the reporting period, revenue from investment in securities amounted to HK\$17,758,000 representing approximately 70 % of the Group's total revenue. Rental income from 1 Lyndhurst Tower amounted to HK\$7,529,000, representing approximately 30 % of the Group's total revenue and approximately 70% of the total gross floor area was leased out.

In February 2004, the Group acquired 51% equity interest in Lucky Green Limited ("Lucky Green"). The sole asset of Lucky Green is the 100% interest in Zhuhai S.E.Z Rui Nong Plant Protection Technology Co. Ltd. which is principally engaged in the production and sale of agricultural spray nozzles and hosepipe, the cultivation and retail of fruits, vegetables and flowers, the provision of agricultural consultancy services and the development, production and sale of pesticide and organic fertilizers. Completion took place in March 2004.

Financial Review

Liquidity and Financial Resources

In September 2003, the Company placed 27,598,000 shares at HK\$0.221 per share and the net proceeds was approximately of HK\$6,000,000. Completion was taken place in October 2003 and the net proceeds was applied towards the repayment of the margin loans incurred by the Group in the course of investment in securities.

In December 2003, the Company placed 33,100,000 shares at HK\$0.231 per share and the net proceeds was approximately of HK\$7,600,000. Completion was taken place in January 2004 and the net proceeds was applied as the general working capital of the Group.

The Group has a current ratio of approximately 0.42 as at 31 December 2003 (as at 31 December 2002: 1.75) and the gearing ratio was 1.40 as at 31 December 2003 (as at 31 December 2002: 0.85). The calculation of gearing ratio was based on the total borrowing of HK\$142,453,000 (as at 31 December 2002: HK\$172,979,000) and the net assets of HK\$101,648,000 as at 31 December 2003 (as at 31 December 2002: HK\$203,340,000).

There were no significant capital commitments as at 31 December 2003 which would require a substantial use of the Group's present cash resources or external funding.

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The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are denominated in Hong Kong dollars.

Charged on Assets

As at 31 December 2003, all the Group's investment properties and the issued shares of China Faith Limited, a wholly owned subsidiary of the Company are pledged and the rental income in respect of the investment properties under operating leases are assigned to a bank against a bank loan of HK\$138,300,000 (as at 31 December 2002: HK\$147,400,000) granted to the Group.

Other investments of HK\$14,695,000 (as at 31 December 2002: HK\$101,431,000) are pledged against margin and other loan facilities granted to the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2003.

Employees and Remuneration Policies

As at 31 December 2003, the Group has 5 employees. Remuneration is determined by reference to their qualifications and experiences of the staff concerned. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

Liu Ming Hui

Managing Director

23 April 2004